COMMONWEALTH of PENNSYLVANIA

The Governor's Review – 1975

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GOVERNOR'S REVIEW OF
GOVERNMENT MANAGEMENT INC.

JOHN E. ANGLE
Chairman

October 1975

The Honorable Milton J. Shapp
Governor of Pennsylvania
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17122

Dear Governor Shapp:

In presenting the report of The Governor's Review - 1975, I have taken the liberty of including some comments of my own. Serving as chairman of this study has provided me with an opportunity to observe state government at close range. I would like to share with you certain conclusions I have reached as a result of this exposure.

Of primary importance is the need to restate the function of government: to serve the citizens of the state. Recent statements by state employee union leaders indicate that government employees may have lost sight of this basic purpose. The advent of Public Employee Relations Act 195 and subsequent recognition of state employee unions have brought problems which the government is ill-prepared to handle. Successful labor relations require the ability to negotiate and administer contract agreements while still preserving management's interests and rights, management, that is, representing the taxpayers. Most government administrators, however, lack the experience and expertise to fulfill this responsibility. There is need for major changes in administrative techniques and training. Some of our most important recommendations are directed to this problem.

To a corporate executive, the job of Governor appears impossible. Some 60 major departments look to you for guidance, your relations with the General Assembly are crucial and a variety of public duties make strong demands on your time. Our review addressed responsibilities in the area of internal government operations--budgets, labor relations, management development, support functions and the like. These activities require continuing management direction and strengthened administrative control. We propose having them coordinated by a state manager with an extensive administrative background who would report to the Governor. In this way, sufficient high-level guidance would be available on an ongoing basis without undue expenditure of the Governor's time. A particularly important area would be the budget and financial management function. Several proposals have been made to improve overall cost control and accountability in government operations since this is a key element in efficient administration.

Probably the most disturbing problem facing the state concerns its employee pension plans. These programs are underfunded by an estimated $5-billion. What is more important, the excessive level of benefits and the unrealistic provisions of the plans ensure that the deficit will increase dramatically in the future. There is no justification for public employees enjoying benefits which supporting taxpayers cannot afford for themselves. Proposals have been made to revise the programs in line with acceptable industry standards and sound fiscal management.

Another area which requires concentrated attention is the survival of private colleges and universities in the face of competition from state-owned and state-related institutions. The subsidies provided these schools have resulted in comparatively low tuition levels which tend to attract an increasing number of students. Again, this places an undue burden on the taxpayer since the private schools are largely self-supporting. Adjusting fees of the state supported schools to approach actual operating costs and reducing the level of state aid would benefit both private and state institutions by preserving a total educational system.

One final observation: in the past five years the state's population has increased one-half of one percent. During that same period, state employees have increased at a rate 21 times greater than the population as a whole. Although our review was not specifically directed at reducing employees, it is obvious this trend must be reversed or at some point in time public employees will overwhelm the taxpayers.

The members of this review have attempted to look at Pennsylvania's government as a business because so many principles of operation apply to both government and industry. However, there is an inertia in state government which can militate against change. Our recommendations, if carried out by the administration and the General Assembly, can save the state's taxpayers many millions each year. This will only happen if one responsible individual takes it upon himself to see that changes occur. We look to you as that person and assure you of our support in this tremendously important task.

Thank you for your encouragement and assistance. It has been a privilege, through you, to serve the state.

Sincerely,

John E. Angle

John E. Angle

THE GOVERNOR'S REVIEW — 1975

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FOREWORD

The first Governor's Review was completed in 1972. Because of the success of this first study, Governor Milton J. Shapp authorized the formation of a second task force, chaired by John E. Angle, to develop The Governor's Review - 1975 through an Executive Order issued February 12, 1975. The thrust of this effort was carefully designed to reinforce and extend the impressive results achieved by the 1972 program. The objective was to provide opportunities to realize additional benefits through intensive analysis of areas which were beyond the scope of the earlier study or which have developed since that time.

The importance of continuing efforts to control government costs is illustrated by the fact that Pennsylvania's general fund expenditures increased 65% from fiscal 1969 to fiscal 1972. They rose an additional 34% — to a total of $4.33-billion — in the period from fiscal 1972 to fiscal 1975. Although still significant, the growth rate of expenditures did show some improvement during this period. The decline in the rate of increase is attributed , in part, to the cost control efforts engendered by The Governor's Review - 1972.

It has been the intent of The Governor's Review - 1975 to concentrate on areas of high savings potential. Again, the major concern was to determine how government services could be provided to citizens in the most efficient, expeditious and economical manner. To accomplish this objective, recommendations were developed which were directed at:

- Extending the benefits and improvement opportunities of The Governor's Review - 1972 by reexamining 43 unimplemented recommendations which could have a major impact on operations. The aim was to modify or revise proposed implementation approaches to overcome existing obstacles.
- Devising specific solutions to more than 40 new organizational, operational and functional problems identified by key members of the administration. These efforts were limited to major impact areas involving either a single organizational element or a functional area cutting across a number of departments or agencies.
- Identifying specific areas where the management of educational, social service and rehabilitation institutions could be improved by adopting innovative solutions to traditional problems.

In developing a program within this defined scope, it was recognized that a major challenge existed in the task of trying to surpass the results attained by the initial study. However, this was one of the goals. Therefore, the members of the Governor's Review - 1975 have taken the implementation process a step further. In this study, recommendations have been expanded to provide detailed plans, strategies and accountabilities for the implementation process. Although some proposals recommend changes in existing positions and agencies, implementation responsibilities have been assigned to the positions or activities which had responsibility for the area discussed at the time of the study. The determination of practical implementation approaches has led to the elimination of any recommendations not considered feasible in the near future.

This report presents only an abstract of the documentation developed. All of the recommendations are supported by detailed backup information and explanations contained in the review's files. These will be available for use in the implementation process.

To carry out the 16-week review program, approximately 54 executives, managers and technical specialists were supplied on a full-time, volunteer basis by industrial, commercial and service organizations in the Commonwealth of Pennsylvania. An additional 22 specialists were made available on a part-time basis. Program guidance was supplied by the consulting firm of Warren King and Associates, Chicago. The cost of the project — over $1-million — was contributed either in manpower, equipment or direct financial backing by the private sector of Pennsylvania. The 195 sponsors are listed in the final section of the report. The state supplied office space, supplies and secretarial support.

The report has been organized into six broad categories of study. These include: Education; Welfare and Mental Health; Health, Hospitals and Correction; Human Resources; Financial Management; and Physical Resources. Recommendations within these categories cover specific institutions, departments or agencies as well as functional activities which encompass several government operations. Overviews describing study areas and findings are presented with each section. Recommendations have been numbered sequentially and indexed by subject to aid in reference. A Digest of Recommendations is included as an aid for reviewing the proposals made for each agency or function.

Review members worked closely with state government personnel, some of whom were involved in the previous study. They were able to provide team members with much valuable data. Many of the proposals presented are a direct result of state employees' enthusiastic suggestions and ideas. The task force developed 412 recommendations during the course of the review. As a result of the excellent working relationships which developed, many of these have already been put into effect or are in the process of implementation. The section on implementation discusses the approach proposed to maintain the momentum already gained and to carry out Governor Shapp's directive to achieve greater efficiency in government management.

All of the review's proposals received the unanimous approval of an executive committee consisting of the six team leaders and the study chairman. Financial calculations were made by qualified persons and an analysis of the potential financial impact is shown below.

POTENTIAL FINANCIAL IMPACT

	Annual	One-Time
Savings	$219,974,300	$ 4,750,000
Added Income	93,260,100	67,783,300
Cost Avoidance	52,036,600	68,450,000
Cost	6,535,400	14,501,400

However, all financial benefits and costs were necessarily based on brief analyses and may not always reflect all elements involved. Savings were specified when the recommended action would reduce current expenditures. Cost avoidances were claimed where action would preclude expenditure of appropriated funds or eliminate vacant budgeted positions. Increasing fees to generate income was considered taxation and deemed outside the scope of this study. However, in some cases, fees did not offset administrative expenses. In such instances, recommendations were made to raise fees to cover related costs. Whenever possible, estimated costs for implementation of individual suggestions were identified. In some areas, benefits will accrue to the organization involved, such as state-related colleges. However, since these activities require some degree of state support, there is a potential saving to the taxpayer as well. Because areas covered by institutional and functional reports overlap to some degree, some of the benefits claimed may be duplicated. Every attempt, however, has been made to eliminate such duplication.

The Pennsylvania Economy League, which audited the prior report, also provided invaluable assistance. Team members were given the benefit of background information, helpful suggestions and access to the league's files.

Approximately 355 recommendations of the 412 made can be implemented by executive action. The remainder will require enabling legislation.

Essentially, this review has been a critique of Executive Branch operations. As such, it has highlighted areas which need improvement and does not address the dedication, skills and performance of the state's employees. The assistance of these individuals is appreciatively acknowledged. Their cooperation enabled the review members to accomplish their tasks expeditiously and have added immeasurably to the value of this project. It is the hope of The Governor's Review - 1975 that this report will provide a base for continuing efforts to control government expenditures. All of the members are ready to aid in implementing the proposals presented here in any way they can.

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SECTION I

Education

The Governor's Review – 1975

EDUCATION

The education team concentrated on three prime areas of concern in the state's higher education system: the Department of Education, state-owned colleges and university and state-related universities. The scope of their study was limited to administrative aspects of these operations. In this regard, an attempt was made to identify areas where management improvements could be achieved in both the department and the schools. Specific solutions were also sought to high priority problems which had been identified by key cabinet members, legislators and administrators in regard to the higher education system. These included the proposed Commonwealth University System, branch campuses, computer operations, cash flow procedures, college catalogs, management staffing and space and facility utilization. Finally, various means of extending the benefits projected by The Governor's Review — 1972 were also examined.

In conducting the review, a group of 12 businessmen visited all 18 main campuses and six branches. Teams of two or more were used to provide as broad a range of exposure and cross-fertilization as could reasonably be achieved during the 16-week study period. Additional time was devoted to visits with state department personnel, attendance at appropriation sessions of the General Assembly and meetings with key legislators, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Association of Colleges and Universities and the Board of State College and University Directors. A considerable amount of time was spent with the presidents of the 14 state-owned institutions in order to identify problems in this area. During the last three years, these schools have encountered slightly reduced enrollments, rising costs and a faculty union contract which inhibits the institutions from making personnel adjustments to reflect the objectives set by the Department of Education and the Board of State College and University Directors. At present, an average of 83% of the institutions' annual budgets are expended for salary and benefit costs.

There was an indication at the institutional level that they lack information on the plans and goals developed by the Department of Education. Both department and school personnel appear to need a clearer understanding of overall problems and requirements. The Master Plan for Higher Education developed in 1971 addresses itself rather well to total state needs in this area. It would appear to be a solid base from which to move in a coordinated manner, only if the necessary intermediate and long-range planning is accomplished in cooperation with the individual institutions. This planning has not been done. At present, the plan needs to be updated to encompass changes in enrollment patterns, educational curricula and department objectives. A series of recommendations have been developed by the review which use an updated plan as a base. A key proposal would be the creation of an executive deputy secretary to manage the state-owned institutions. Such direct guidance is important in developing the necessary rapport between the department and the schools to assure effective interaction and provide a stepping stone to the proposed Commonwealth University System.

It is the contention of this review that establishment of a Commonwealth University System should be deferred to allow for a detailed, well-planned and budgeted evaluation of such an approach. This would also permit an extensive review of existing university systems and the problems being encountered. In this regard, the education team took a critical look at fee structures in the state-owned institutions. We recognize the "right to education" premise which is the base for subsidized tuition rates. However, the desire to maintain low fee schedules, coupled with rising educational costs, has made the state-owned schools a major competitor of private institutions in the state. If allowed to continue without some effort to install more realistic rates in the state schools, the situation may cause the private schools to close their doors or seek state subsidies. Since per-student operating costs are lower at the private institutions, care should be taken to maintain a balance between the two segments of the higher education system. This will provide maximum choice and opportunity to Pennsylvania's students.

In the area of state-related institutions, Pennsylvania supplies a considerable amount of operating revenue to these schools, but has virtually no authority over their operations. The Department of Education should insist on greater cooperation, a means of effective management relationships, an interchange of programs and ideas and a unified approach to statewide higher education.

DEPARTMENT OF EDUCATION

This department administers Pennsylvania's school laws and the regulations of the State Board of Education. It is managed by a secretary, appointed by the Governor, with the advice and consent of the Senate. The secretary serves on various boards, commissions, authorities and councils while administrative duties are carried out by an executive deputy secretary.

The department assists local school districts, administers state and federal funds and programs and establishes policies in regard to higher education. It also operates 14 state-owned institutions of higher education. Structurally, the department is divided into two functional areas — Basic Education and Higher Education. Both are administered by commissioners while staff activities are directed by an assistant executive deputy secretary. Total staff is approximately 1,160 and the budget for fiscal 1975 was about $20-million.

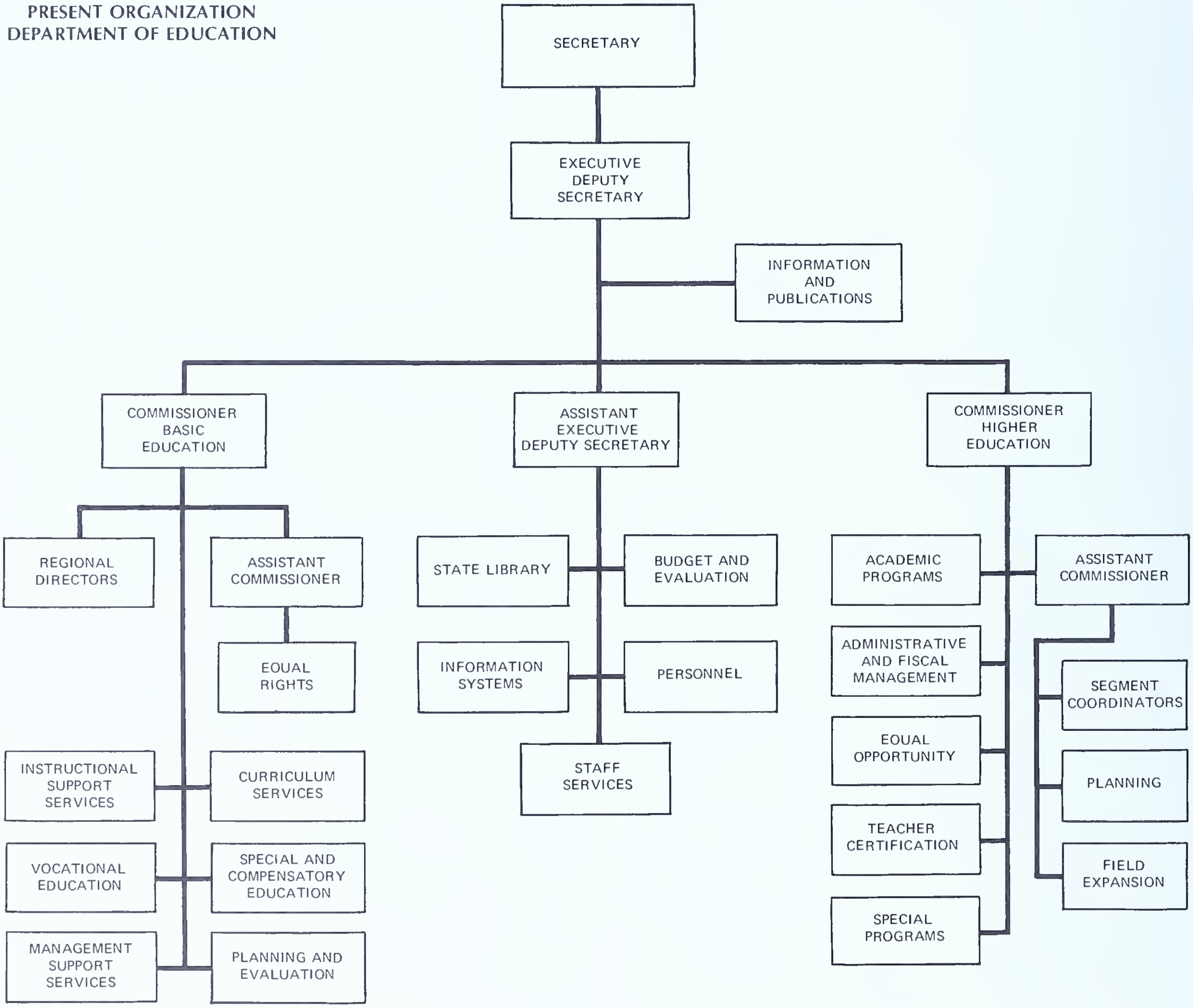
RECOMMENDATIONS

1. Reorganize the Department of Education.

The present organization for the Department of Education is shown on the chart, directly below. Basically, it is divided into three areas under an assistant executive deputy secretary who administers certain support functions and two commissioners, Basic Education and Higher Education. Problems occur because some of the operations and programs span both the basic and higher education areas. There is also a need to provide a centralized source of grant processing and program information. The department's relationships with the state-owned colleges and university is another area which needs definition.

Proposed Approach: The recommended organization structure is shown in the proposed chart to the right. The responsibilities of the commissioner, Basic Education, would remain the same. However, Equal Rights, which reports to the assistant commissioner, would become an expanded operation — Equal Rights and Opportunity — under the supervision of the assistant executive deputy secretary.

PRESENT ORGANIZATION
DEPARTMENT OF EDUCATION



A new commissioner, Special Programs, would be established with responsibility for the following bureaus: Vocational Education, Teacher Certification and Education, Veterans Educational Affairs, Correctional Institution Education, Grants Coordination and Special Programs. This area would then encompass those activities which span both basic and higher education. Grants Coordination would be a new function. The responsibilities of the assistant executive deputy secretary would be expanded to include Equal Rights and Opportunity and an executive deputy secretary, State-Owned Institutions, would be established. This new postion would supervise the 14 colleges and university now under the jurisdiction of the commissioner, Higher Education. The Bureau of Management Services would also report to this deputy. The only other change in responsibility for the commissioner, Higher Education, would be the transfer of the Equal Opportunity Office to the expanded Equal Rights and Opportunity Office under the assistant executive deputy secretary. Implementation will provide a more effective organizational structure with opportunities for increased service and efficient operations. Related costs would be more than offset by potential savings.

Implementation Strategy: The secretary, Department of Education, should take the steps necessary to establish guidelines and schedules for the proposed changes.

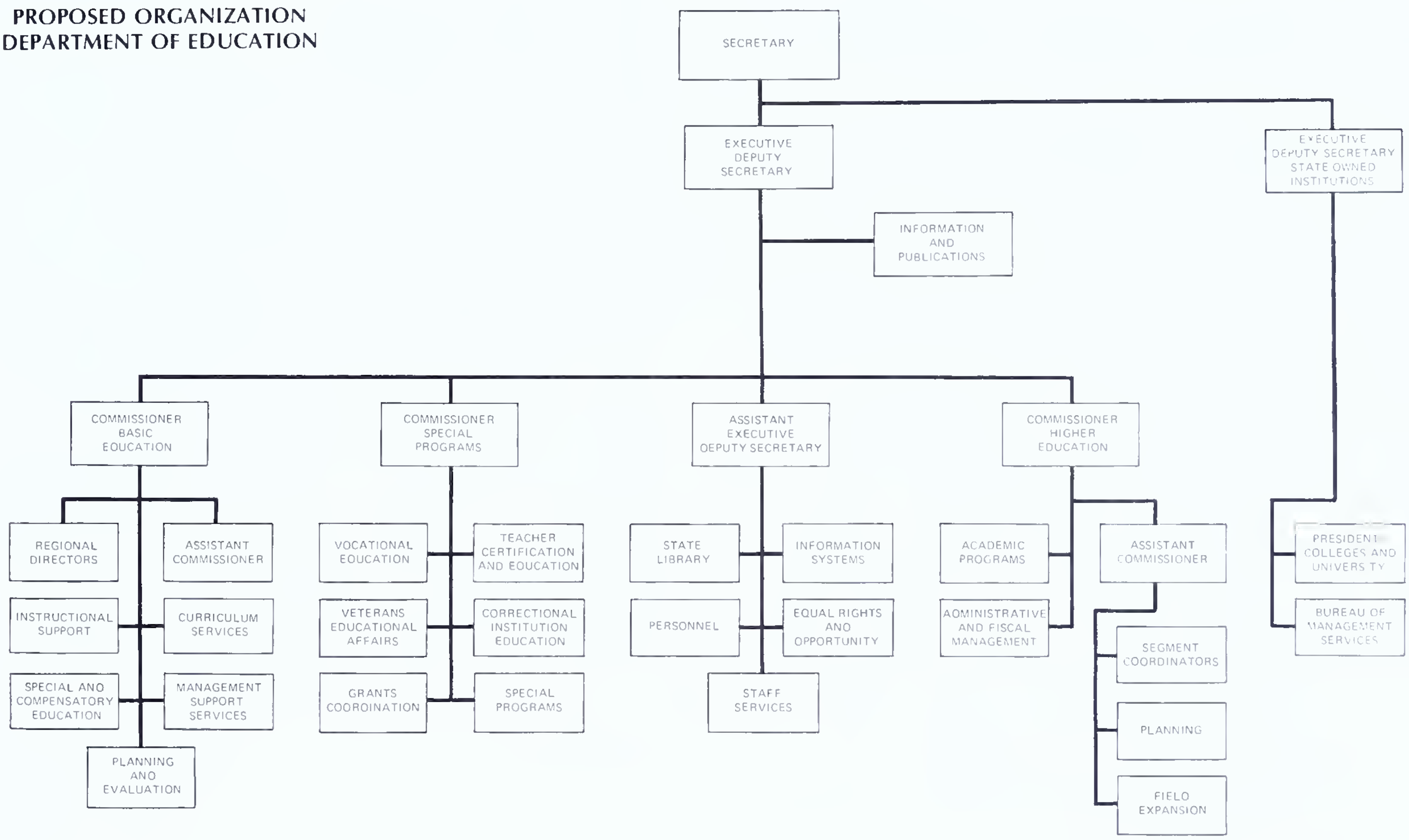
2. **Assign functional responsibility for state college and university fiscal programs and activities to the comptroller in the Department of Education.**

For the most part, financial activities of these institutions function without general management control. In many cases, necessary approvals are not obtained for purchases, projects are not itemized in capital budgets and expenditures are charged incorrectly.

Proposed Approach: School business managers and financial or administrative vice presidents — together with their staffs and the budget officers and their staffs — should have a functional relationship with the comptroller in the Department of Education. In instances where institutions have both a business manager and a financial vice president, one position should be eliminated.

Bringing these fiscal activities under the functional supervision of the comptroller will permit introduction of standard operating procedures, appropriate lapsing of funds and comprehensive fiscal planning. Improved control of expenditures, standardization of paperwork and elimination of unnecessary positions could provide an annual saving of $1.5-million although no specific benefit is being claimed.

PROPOSED ORGANIZATION
DEPARTMENT OF EDUCATION



Implementation Strategy: The department secretary should authorize the change in reporting relationships and implementation should be complete within six months.

3. Conduct a management review of state-owned and state-related colleges and universities as part of the annual state audit.

The Department of Education lacks sufficient information to monitor the performance of management at the various state-owned and state-related schools. The primary tool now available is the auditor general's report. However, it is not prepared until long after the end of the fiscal period and does not include data required to evaluate overall performance. Since the department has primary responsibility for managing funds received by the institutions, it should have a greater awareness of the various policies and practices of the schools.

Proposed Approach: A management review should be performed periodically to highlight areas which need improvement and to provide a basis for monitoring progress. It could be performed as an extension of the state audit and should concentrate on areas such as planning and budgeting, job descriptions and reporting relations, administrative policies, operating systems and manpower utilization. Schools would be required to report on improvement progress within 12 months of the audit. Approximately 1,800 additional hours would be required per year at a cost of $20,000. However, implementation would provide a basis for future savings through timely recognition of problems and better coordination of total resources.

Implementation Strategy: Procedures should be established as a joint effort of the Department of Education and the auditor general. Evaluations could begin as of the end of fiscal 1976.

4. Establish an employee exchange program between the Department of Education and industry to foster understanding and improve operational techniques.

Many operational methods and practices used in state government have been superseded by more successful techniques developed in industrial organizations. However, there is no established means to exchange information between government and the private sector on a regular basis. As a result, the cost of running state government is higher than it need be. Further, there appears to be a lack of understanding of the private sector by government agencies.

Proposed Approach: Establishing an employee exchange program between state government and industry would significantly improve the flow of information, ideas and talent between the two areas. Because of its large budget and broad impact, the Department of Education would appear to be a logical starting point for this program. Employees should also be exchanged within various operational areas of the department including the state-owned colleges and university. Assignments would vary from three months to a year and should be developed on the basis of individual skills and job requirements. Although no savings are claimed, implementation should improve government operations substantially.

Implementation Strategy: The Governor should issue an executive order empowering the secretary, Department of Education, to coordinate the proposed program. The secretary should establish an implementation committee representing the department, the state-owned colleges and university and the private sector. Ongoing coordination would be handled by the department's Bureau of Personnel.

5. Disburse subsidy advances to intermediate units and vocational education schools monthly.

Payments are made to 29 intermediate units and 62 vocational education schools for operating and program expenses on a semiannual basis. By disbursing funds in advance of need, the state is losing potential investment income.

Proposed Approach: Subsidies should be paid on a monthly basis to increase investment income return. Total appropriations amount to more than $164-million so implementation would provide an additional annual income estimated at $2.4-million.

Implementation Strategy: Governing statutes should be amended to authorize the change and cost estimates should be submitted on a monthly basis by the subsidy recipients.

6. Eliminate the state's contribution to the Public School Employees Retirement Fund for positions paid by federal funds.

There are approximately 28,000 federally funded positions in the school system with an annual payroll of $99.7-million for fiscal 1975. Based on a participation rate of 96.8% in the state's retirement fund for these employees, Pennsylvania is subsidizing federal programs at a rate of $5.1-million annually by its contributions to the fund. Federal regulations permit use of federal funds to pay the state's contribution to the retirement fund.

Proposed Approach: Retirement contributions paid by federal funds should be increased to approximately 10.66% for federally funded employees participating in the school retirement program. This would eliminate the

state subsidy of these positions and provide an annual saving of $5.1-million. This would be an annual cost to the federal government.

Implementation Strategy: By executive order, the Governor should instruct the retirement board to take appropriate steps to increase federal employer contributions to the retirement fund.

7. Do not award PHEAA grants for use in states which do not reciprocate with Pennsylvania.

In 1966, the General Assembly established a scholarship program for needy students to be administered by the Pennsylvania Higher Education Assistance Agency (PHEAA). From inception, the program grants could be used at institutions outside the state. During fiscal 1975, approximately $7.5-million of the total $65.4-million was used for non-Pennsylvania schools. However, $6.6-million was paid in states which do not permit students reciprocal portability of scholarship grants to Pennsylvania. With the state's current budget problems, including some funding curtailment in regard to higher education, it is difficult to justify an outflow of PHEAA grants to states which do not reciprocate.

Proposed Approach: A policy change should be instituted to provide that, after September 1, 1976, no new grants will be portable into states which do not have reciprocal agreements with Pennsylvania. This should eventually provide more than $6-million in PHEAA money — plus the estimated $20-million spent by students in addition to the grant funds — to be spent directly in Pennsylvania institutions or in states from which Pennsylvania receives a reciprocal benefit. No specific savings or income are claimed.

Implementation Strategy: The PHEAA board of directors should vote to implement the policy change and should inform all states of the revised requirements. The commissioner, Higher Education, should work with other states' educators to encourage reciprocal legislation.

8. Relocate department units now housed in the Executive House and Penbrook Computer Center.

The Bureau of Vocational Education, the State Board of Education, the Division of Statistics and the Office of the Comptroller occupy 55,000 square feet in the Executive House. School retirement board EDP facilities rent space in the Penbrook Computer Center. Total expenditures for these two locations are $294,500 per year.

Proposed Approach: Both of these operations should be relocated to presently vacant state-owned space. Implementation would result in an annual saving of $294,500 which has been claimed elsewhere.

Implementation Strategy: With the approval of the secretary, Department of Education, this move should be accomplished within six months. Coordination should be provided by the Bureau of Real Estate and the Bureau of Space and Facilities Management.

9. Centralize negotiation and administration of all department service contracts.

More than 1,200 service contracts are awarded by the department each year. A budget of approximately $10.9-million was set for fiscal 1975. Although there is centralized control over the purchase of materials and supplies, no corresponding activity is performed in relation to service needs. This lack results in poor coordination, insufficient management review and analysis and inadequate justification.

Proposed Approach: A centralized negotiation and administration function should be established within the Department of Education for all service contracts. It would secure and analyze all proposed service contracts. Implementation could reduce overall costs by as much as 25%. A 10% reduction in cost would provide an annual saving of $1.09-million.

Implementation Strategy: The secretary, Department of Education, should authorize the proposed function. Procedures for the operation should be developed by the director, Bureau of Staff Services, in cooperation with the executive deputy secretary and the assistant deputy secretary. Implementation should be complete within six months.

10. Use an advancement account to pay travel advances and reimbursements to employees for incurred expenses.

Current guidelines prevent the use of the advancement account (petty cash) to pay employee travel expenses. The procedures used result in a seven to 10 day wait for employees entitled to reimbursements and a greater number of checks being issued than necessary.

Proposed Approach: The schools should be authorized to establish advancement accounts with maximum limits of $300 per traveler to provide cash advances and reimbursements of incurred expenses. The minimum advance limit should be $20. Implementation would decrease the number of voucher transmittals and checks required at present. Employees would also be reimbursed on a more timely basis.

Implementation Strategy: Each school should determine the overall amount needed for its advancement account and forward a request to the comptroller in the Department of Education. Recordkeeping guidelines should be established and the system implemented within 60 days.

11. Eliminate the pre-audit and encumbrancing of the advice of change for field limited and miscellaneous orders.

If a price increase of 10% or more occurs on an order, the schools are required to prepare an advice of change and forward it to the comptroller for pre-audit and encumbrancing. This activity by the comptroller constitutes unnecessary document handling and delays payment of vendor invoices about two weeks.

Proposed Approach: When an advice of change is needed, the school should prepare the form, secure management approval and hold it until the vendor's invoice is received. Then both documents could be forwarded for processing. Implementation should eliminate existing delays in the payment cycle.

Implementation Strategy: The department's comptroller should request this procedural change be authorized by the Office of Administration.

OFFICE OF BASIC EDUCATION

The Office of Basic Education, under the direction of the commissioner, is responsible for statewide development and administration of public and nonpublic school systems, from nursery to basic adult education levels. The major components include general, vocational and special education.

The deputy commissioner coordinates administrative and executive activities of the Bureaus of Planning and Evaluation, Curriculum Services, Vocational Education, Special and Compensatory Education, Instructional Support Services and Management Support Services. The assistant commissioner is responsible for department staff support for the Council of Basic Education and the State Board of Education. He also coordinates activities of the Office of Equal Rights. Expenditures for fiscal 1975 amounted to approximately $6.6-million.

RECOMMENDATIONS

12. Eliminate the positions of assistant director and administrative assistant in the Bureau of Curriculum Services.

At present, three division chiefs report to the bureau's director through an assistant director. The director is also aided by an administrative assistant. The administrative work volume is not sufficient to justify such extensive management staffing.

Proposed Approach: The positions of assistant director and administrative assistant should be abolished. The division chiefs can assume any required duties of the administrative assistant. They should report directly to the bureau director, eliminating the need for the assistant director. Implementation will provide an annual saving of $69,000.

Implementation Strategy: The commissioner, Basic Education, should authorize the necessary changes in staff.

13. Consolidate the offices of the Bureau of Special and Compensatory Education in one location.

At present, various operational units of this bureau are located in two separate buildings. Those residing in the Education Building are housed on separate floors.

Proposed Approach: The offices should be relocated in one physical area to improve staff coordination and eliminate travel between the two currently occupied buildings. The savings to be achieved should more than offset the moving expense.

Implementation Strategy: Available state-owned property should be reviewed for suitable space for this operation.

14. Abolish the position of coordinator, School Social Work Services Section.

This position in the Bureau of Instructional Support Services was authorized in 1968, but has never been filled. No loss in service to the school districts has occurred due to the vacancy.

Proposed Approach: This position should be abolished to provide an annual cost avoidance of $28,000.

Implementation Strategy: The commissioner, Basic Education, should authorize implementation of the proposal.

OFFICE OF HIGHER EDUCATION

This office, under the direction of the commissioner, serves all segments of the higher education system. It develops programs in teacher education, liberal arts and sciences and humanities and special professional areas. Studies of programs and services offered by the various colleges and universities are also carried out. In addition, the office processes budgets for the institutions receiving state funds, is responsible for the Master Plan for Higher Education and provides long-range planning for the entire system. Its fiscal 1975 expenditures amounted to approximately $3-million.

RECOMMENDATIONS

15. Review and update the Master Plan for Higher Education.

This plan was last updated in 1971. Since then, there have been significant changes in enrollment trends, birth rates,

educational priorities and operating expenses. These developments should be dealt with in a new plan for the 1976-80 period, but none is planned at this point.

Proposed Approach: The secretary, Department of Education, should establish a task force of leaders in education, business and government to prepare a new higher education plan. The Bureau of Planning should provide the group with required background data. This new plan should form a basis from which to establish guidelines for institutional planning at individual colleges across the state. Procedures should be established to update it at least every four years.

Implementation Strategy: The department secretary should initiate the proposed program with background planning data to be developed by the Bureau of Planning. The review and update is expected to require one year.

16. Maintain a list of participants in the Act 101 program in the Office of Equal Opportunity.

Some 6,600 students in 46 schools participate in the Act 101 program. One of the requirements for eligibility is that the participant must have a Pennsylvania domicile or the school must provide excess matching funds. An evaluation in 1974 showed that this is not always the case. Further, there are no centralized records available for use by the Office of Equal Opportunity and data must be obtained by contacting the individual institutions.

Proposed Approach: Each school should submit a list of program participants to the Office of Equal Opportunity. Information should include name, residence, family income, grade average, other assistance received, date of admission and grant award amount. This will ensure that all eligibility requirements are being met. Implementation should reduce program costs by 1% by removing ineligible students from participation. The annual saving would amount to $66,500.

Implementation Strategy: Guidelines should be prepared for the schools showing the information required, format to be used and date for completion. Procedures for consolidating submitted data should also be established. Both activities would be the responsibility of the Office of Equal Opportunity.

17. Discontinue evaluator payments authorized for Act 101 program review.

The Higher Education for the Disadvantaged Program (Act 101) provides financial assistance to enable schools to offer services to students with educational deficiencies. Once a grant has been awarded, the program must be reviewed to ensure that requirements are being met. Evaluators are hired on a per diem contract basis at a total annual cost of $27,600 plus expenses.

Proposed Approach: Evaluators should be recruited on a volunteer basis and reimbursed for their travel expenses. This approach is being used with great success by the Bureau of Academic Programs. Implementation would provide an annual saving of $27,600.

Implementation Strategy: The secretary, Department of Education, should approve the use of volunteer evaluators. It would be the responsibility of the Office of Equal Opportunity to implement the program.

18. Increase the teacher certification fee to $10.

The Bureau of Teacher Certification processes some 50,000 applications yearly at a charge of $5 each. It also issues approximately 7,000 certificates of preliminary education annually for a fee of $5. Under the fiscal 1975 budget of $450,000, the bureau operated at a deficit of approximately $165,000. Neighboring states charge between $10 and $25 for certification services.

Proposed Approach: The processing fee for teacher certification should be increased to $10. If implemented for fiscal 1977, the additional income should amount to $250,000. This will be sufficient to cover anticipated operating costs.

Implementation Strategy: The secretary, Department of Education, should authorize this increase to become effective on July 1, 1976.

STATE-OWNED INSTITUTIONS

Pennsylvania operates 13 colleges and one university. The colleges are Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester. The university is Indiana University of Pennsylvania. All serve as institutions of higher education in the arts and sciences, humanities, teaching and other professions as determined by the Board of State College and University Directors.

The table shown on page 8 provides a comparison of all 14 state-owned institutions for the 1974-1975 school year or fiscal year. Full-time equivalent enrollment of 74,611 ranged from 2,315 at Cheyney to 11,362 at Indiana while instructional capacity went from a low of 160 at Lock Haven to a high of 549 at Indiana. The resulting student-faculty ratio varied from 12.0 at California to 21.7 at Millersville. Total authorized employees indicate considerable variation in use of noninstructional staff. Actual expenditures totaled $233-million. Since state funding

was approximately $135-million and augmentations from tuitions, fees and other sources of income added only $93-million, a $4.6-million deficit resulted in fiscal 1975. Fiscal 1976 general fund allocations are shown indicating an increase from fiscal 1975 to a total of approximately $151-million.

RECOMMENDATIONS

19. Adopt an integrated systemwide long-range planning program.

Currently, there is no established and integrated system to provide long-range planning for Pennsylvania's state-owned colleges and university. The role of these schools in meeting the needs of the state's citizens, the changing environment in which they must function and the rising costs of operation are not being dealt with in a coordinated and logical manner.

Proposed Approach: Although the state made an effort to provide direction for its higher education system through the master plan developed in 1971, this document has gone virtually unused by the Department of Education. As a first step in establishing a long-range planning program, the plan should be reactivated and updated as discussed elsewhere. It is important that the plan be in the best interests of the citizens and that it form the basis for continuing bi-partisan cooperation. Following this, strong guidelines should be established for the state-owned colleges and university to identify their role in the overall system. A position of planning officer should be established in the department to handle implementation on a systemwide basis and a planning manager should be provided in each institution. Activities should encompass the development of definite performance standards and goals over specified time periods. Based on the experience at Bloomsburg State College, which already employs relatively sophisticated long-range planning procedures, an overall savings of 3% could be realized in operating expenditures. Using the fiscal 1976 budget of $266-million, this would amount to an annual saving of $8-million. The annual cost of providing planning personnel is estimated at $200,000.

Implementation Strategy: The secretary, Department of Education, should initiate a program to update the 1971 master plan for higher education and establish guidelines for the state-owned colleges and university. Support for

COMPARISON OF STATE-OWNED COLLEGES AND UNIVERSITY

	1974-75 Full-Time Equivalent Enrollment	1974-95 Instructional Faculty	1974-75 Student Faculty Ratio	1974-75 Authorized Employee Complement	1974-75 Actual Expenditures	1975-76 Allocations General Fund
Bloomsburg	5,590	267	20.9	630	15.64	10.02
California	4,030	336	12.0	705	17.32	12.34
Cheyney	2,315	164	14.1	401	10.23	7.29
Clarion	4,729	249	19.0	636	16.03	10.68
East Stroudsburg	4,220	211	20.0	527	12.38	7.75
Edinboro	7,006	416	16.8	780	19.22	12.31
Indiana University	11,362	549	20.7	1,207	29.48	17.35
Kutztown	4,850	265	18.3	629	14.51	9.75
Lock Haven	2,506	160	15.7	397	9.16	6.24
Mansfield	3,028	213	14.2	528	12.00	8.44
Millersville	5,664	261	21.7	819	18.49	11.22
Shippensburg	5,468	299	18.3	736	16.18	10.34
Slippery Rock	5,677	309	18.4	769	19.03	12.00
West Chester	8,166	436	18.7	1,015	23.05	15.14
	74,611		Avg. 18.0		232.72	150.87

this work should be provided by the various directors and college officials. A planning committee should be appointed to provide continuity over an extended period while the college presidents would be responsible for preparing and executing individual operating programs. Implementing an effective long-range planning activity will require at least two academic years.

20. Establish performance standards for the management and administrative personnel in the state-owned colleges and university.

At present, there are no standards or criteria by which the performance of state institution presidents and their administrations can be measured and evaluated. The absence of performance data make it difficult to judge individual and overall effectiveness in terms of achieving objectives.

Proposed Approach: With the cooperation of the Department of Education, the college presidents and the Board of State College and University Directors, a task force should be established to define key items to measure the performance of college and university administrations. The use of college accreditation guidelines, procedures and methods could be helpful in the effort to identify measurable activities. The criteria established through this program should be included in a specified program of management review and analysis as discussed elsewhere.

Implementation Strategy: The secretary, Department of Education, should direct the executive deputy secretary, State-Owned Institutions, to take appropriate steps to initiate a task force effort to develop standards and implement a review program. Criteria should be developed by fall 1976.

21. Establish procedures for identifying and improving faculty productivity levels.

Approximately 36 states now collect faculty work load data to measure productivity levels in public institutions of higher education. In many states, appropriations to the schools are based, in part, on productivity levels. Information is gathered in Pennsylvania for state-related institutions. However, no program has been initiated to obtain similar data on state-owned institutions.

Proposed Approach: Criteria should be established to identify and measure faculty productivity levels. A number of states base measurements on credit hour production. This is a combination of the credit hours per course plus the number of students in each course. The data should be utilized to increase faculty productivity by 10%. Based on current instructional costs of $100-million, the annual saving would be $10-million.

Implementation Strategy: The Department of Education should authorize a program to measure faculty productivity levels in state-owned institutions. The executive deputy secretary, State-Owned Institutions, should establish the criteria to be used in implementing this activity and instruct the state-owned colleges and university accordingly. The resulting data should be used to establish productivity goals for faculty with the objective of controlling and reducing salary expenditures.

22. Accelerate the replacement of noninstructional, faculty-level administrators.

Since the advent of teachers unions, various people with faculty rank have been occupying administrative positions which have no instructional duties. The Bureau of Personnel evaluated these jobs according to their responsibilities and lowered the pay scales accordingly. However, incumbents continue to be paid at previous rates. There are now 320 administrators in the state-owned colleges classified as Unit II employees who are overqualified for their positions and being paid at a premium.

Unfortunately, the rate of attrition is not sufficient to enable the state to realize potential savings. Although the Bureau of Personnel has established procedures to monitor replacements at indicated levels, it has failed to implement a program to accelerate activity. Unless this can be done, inflation will eliminate the potential benefit to be gained within eight years.

Proposed Approach: In order to establish a satisfactory program, the following steps should be taken:

- A salary freeze should be placed on all of the Unit II employees.
- The state-owned colleges and university should develop a course of action to reclassify or remove all overqualified Unit II staff and replace them with individuals who can be compensated at the level established by the Bureau of Personnel. Promotions and retirements should be included in manpower projections as well as a factor for normal attrition.
- The Bureau of Personnel should monitor the individual action plans and assess progress on a regular basis.

Implementation will provide an annual saving of $1.6-million by replacing the current 320 administrators with individuals compensated at a lower level.

Implementation Strategy: The Bureau of Personnel will be responsible for developing guidelines and providing assistance to implement the program. Activities must be completed within three years to retain projected financial benefits.

23. Expand the personnel function at state-owned institutions.

Personnel functions vary widely in methods and scope at the various state schools. In general, activities are focused on noninstructional, nonprofessional personnel. Major areas which do not receive sufficient attention include reclassification surveys, professional development activities, labor relations, employee benefits and affirmative action programs.

Proposed Approach: Clarion, Lock Haven and Slippery Rock have personnel programs which have been recognized as superior by the Department of Education. Therefore, the Bureau of Personnel should study these operations as a basis for a model system to be implemented in all state schools. The model should include organizational and operating guidelines for the following areas: job classifications; labor relations; recruitment; employee benefits; training and development; payroll operations; and standard procedures and paperwork.

Input should be encouraged from the schools to develop optimum personnel functions at each institution. Implementation should improve recruiting and manpower utilization. Productivity should also be increased significantly. Based on total compensation for school employees of $200-million in fiscal 1976, a 2% improvement in productivity would save $4-million. This amount is not being claimed.

Implementation Strategy: The secretary, Department of Education, should authorize the Bureau of Personnel to establish a personnel function model and operating guidelines for the state-owned colleges and university. Necessary coordination activities should be instituted with the individual schools. Total implementation is expected to require approximately 14 months.

24. Eliminate payment of unemployment compensation claims during summer vacation periods.

Several groups of employees work a basic nine-month year and are paid on that basis. Even though they will return to work at the beginning of the following school year, a sizable number of these employees file for and obtain unemployment benefits for the summer period. The total cost of this practice was more than $201,000 for fiscal 1975.

Proposed Approach: All personnel should be covered by employment contracts structured on a 12-month basis. This would eliminate the necessity for paying unemployment compensation for the three-month vacation period. The contracts should include an option for receiving salaries either over nine or 12 months. The annual saving would amount to approximately $200,000.

Implementation Strategy: The Department of Education should establish the recommended policy and provide all institutions with model contracts. The individual presidents would be responsible for having the contracts executed. Implementation should begin with the 1976-77 academic year.

25. Do not replace teachers on sabbatical leave with equivalent-level professional instructors.

It is the policy of the Department of Education to require that teachers on sabbaticals be replaced by personnel of the same professional level. Since this is only a temporary replacement, the practice is restrictive and costly.

Proposed Approach: The policy should be modified to permit substitutions at lower professional levels. A maximum of 5% of the state's total faculty is eligible for sabbatical leave each year. At a combined teaching complement of 4,034 in state-owned institutions, this means approximately 200 staff teachers may take sabbaticals annually. If a saving of $8,000 could be realized on 25% of the granted leaves, this would result in an annual saving of $400,000.

Implementation Strategy: The Department of Education should authorize the proposed policy change be made immediately.

26. Implement the State College and University Budgeting System by the end of fiscal 1976.

There is a pressing need for standardized financial information on the state-owned colleges. These data are essential in planning and controlling college operations successfully. For several years, the schools have been working to develop uniform cost accounting procedures. The resulting State College and University Budgeting System (SCUBS) has been approved for implementation. However, the timing and methods have not been clarified.

Proposed Approach: The Department of Education should give priority to implementing SCUBS during fiscal 1976. A staff specialist in the Bureau of Administrative and Fiscal Management should be assigned to direct this activity and to provide counsel to financial managers at the individual schools. Institution requests for fiscal 1977 funding should be made using this new cost accounting system. Swift and uniform implementation of the system will provide vital financial data on a timely basis and ensure successful installation of the new procedures.

Implementation Strategy: The commissioner, Higher Education, should assign responsibility for coordination and implementation to the director of the Bureau of Administrative and Fiscal Management. The director should develop procedures and a timetable to be used by the staff specialist.

27. Discontinue state funding of laboratory schools.

Educational research centers were established at 10 state-owned colleges approximately 10 years ago to experiment with new curriculum materials and instructional methods. One of the centers, at Slippery Rock, is operated for physically handicapped children and is federally funded. The other nine are state-supported and received a subsidy of $2.2-million for the current academic year.

Proposed Approach: Key personnel in the Department of Education have cited the change in emphasis in regard to teacher education, the increased ability of local school districts to research new methods and the lack of results from the laboratory schools as reasons for questioning their continuance. Considering the high per-pupil cost of these centers, state support should be discontinued. It would then become the responsibility of the Department of Education, the local school district and the operating institution to decide if centers were valuable enough to continue through district tax support. Centers which cannot be made self-supporting should be closed and students transferred to district facilities. Implementation would provide an annual saving of $2-million.

Implementation Strategy: The secretary, Department of Education, and the commissioners, Basic and Higher Education, should determine the program value of the individual research centers. The secretary should then work with the respective school districts and operating institutions to determine which centers can be made self-supporting. Those with valuable programs which can be supported locally should be continued and the others closed. Decisions should be made by June 1976 to allow for pupil transfers where necessary.

28. Adjust the tuition basis at state-owned institutions to reflect operating costs.

The state experienced an operating deficit of $16.7-million in its higher education system for fiscal 1975. Directives have been issued to reduce costs by eliminating faculty and support positions wherever practical. Consideration should also be given to increasing tuition charges in line with rising operational expenditures. Although institutional costs are approximately $45 per credit hour, Pennsylvania residents pay only $25 per credit hour, requiring a state subsidy of $20. Out-of-state students pay $46 per credit hour.

Proposed Approach: The present tuition structure of a flat semester rate for 15 hours should be changed to a credit hour charge for state residents and a higher rate for out-of-state students, effective with the 1976-77 academic year. An interim proposal to remain with the flat rate and increase the charge by $50 has been implemented for the 1975-76 academic year. Establishing a credit-hour basis for tuition will permit students to extend educational costs over a longer period of time instead of being forced to take the scheduled load of 15 hours per semester. A tuition rate of $33 per hour for state residents and $60 for out-of-state students is suggested. This increase would provide additional income of $17.9-million to meet the operating deficit.

Implementation Strategy: The secretary, Department of Education, should have enabling legislation drafted and submitted to the General Assembly for approval. The credit-hour basis should be implemented for the 1976-77 academic year.

29. Determine the actual cost of operating residence halls and adjust room fees accordingly.

There is no information available on the actual cost of operating residence halls. In addition, there has been no effort made to establish fees which would be commensurate with expenses.

Proposed Approach: A program must be implemented to determine the actual cost of operating various residence halls. Based on the data developed, each institution should establish a uniform fee to reflect its expenditures. If current charges were adjusted upward by $60 a year, the annual income would be approximately $1.8-million, based on resident enrollments.

Implementation Strategy: Each institution should undertake a program to determine the debt service for its residence halls as well as maintenance and other operating expenses. When the data are available, room charges should be adjusted at each campus to make dormitory services self-sustaining.

30. Standardize miscellaneous fees for state-owned schools.

Various miscellaneous charges are assessed by state-owned colleges to cover transcripts, course changes, dormitory damage, late registration or tuition payment and laboratory fees. In almost all instances, the charges do not provide sufficient income to make the service self-sustaining.

Proposed Approach: A range of standard fees should be established for all state-owned schools as follows:

- Transcripts: The first copy should be free and all additional transcripts provided for $2 each.
- Course Changes: Unless the change is unavoidable, a charge of $5 should be assessed for each alteration. A waiver of the fee would require approval from a department head.

- Dormitory Damages: A $50 deposit should be collected from each student in advance with deductions made as damage was assessed. All students would be required to maintain the deposit at $50 during the course of their school career. At graduation or withdrawal, a refund will be made. All accrued interest will be applied to damages which cannot be assessed to a particular student.
- Late Registration: A $25 charge should be assessed with a waiver option at the registrar's discretion.
- Late Payments: All payment penalties should be standardized at $10.
- Laboratory Fees: These course charges should also be set at $10

At current enrollments, implementation is expected to produce an additional annual income of $484,000.

Implementation Strategy: Approval for the charges should be given by the secretary, Department of Education, and the State College and University Directors Board. Implementation should be effective with the 1976 fall semester.

31. Eliminate tuition refund programs for employee dependents at state-owned institutions.

Of the 14 state-owned institutions, four provide academic fee remissions or tuition waivers to dependents of their employees. Two other schools plan to institute similar programs. Considering the financial problems faced by the higher educational system in Pennsylvania, it is difficult to justify this practice.

Proposed Approach: Effective with the 1976-77 academic year, student subsidy programs for dependents of employees should be dicontinued. Consideration should be give to continuing benefits for those already enrolled until graduation. Fee remissions should be continued for employees if such programs are considered in the best interests of the institutions. Implementation of this proposal should provide an annual saving of $375,000 based on current expenditures.

Implementation Strategy: The secretary, Department of Education, should advise the various college and university boards to authorize the elimination of their subsidy programs. The institution presidents should announce the new policy to all staff members.

32. Develop an investment procedure to maximize the rate of return of funds held by the colleges.

Each state-owned college has various funds which are held temporarily until needed for disbursement. These include, among others, state and federal grants, student activity fees and special account monies. There is no approved system for handling these funds to optimize investment return. The practice of depositing the money in separate checking accounts until disbursement is still followed by some schools although the auditor general has criticized this procedure.

Proposed Approach: School fiscal officers should be responsible for developing and implementing an investment procedure for all available funds. The system should include appropriate accounting and documentation controls. The procedure used by Bloomsburg has achieved notable success and could be used as a model. Individual colleges might consider pooling resources when available funds are less than $100,000 to ensure maximum returns on investments. Based on the experience at Bloomsburg, the 14 state-owned schools should be able to increase their annual investment income by $350,000. Interest earned on investments should be allocated to the funds which provided the money for investment.

Implementation Strategy: Each college president should authorize the institution's fiscal officer to develop the required investment procedure. Systems should be reviewed with the comptroller in the Department of Education for information purposes. Implementation should take place during fiscal 1976.

33. Streamline procedures for transmitting cash from the state-owned colleges and university to the Treasury Department.

During peak periods, the schools are unable to process cash receipts on a daily basis. The time required from receipt of the money by the school until it is available for investment averages 18 to 20 days. Approximately 15 days are attributed to processing at the school level. Procedures include coding funds for distribution into various revenue accounts and preparation of deposit verifications and transmittal forms.

Proposed Approach: The schools should eliminate their coding activities and preparation of voucher transmittals. Instead, they should simply transmit deposit slips to the comptroller daily. During peak periods, school staffs should be temporarily assigned to revenue collecting areas and deposit amounts telephoned to the comptroller. By using pre-printed checks and a check imprinter, revenue personnel in the comptroller's office can prepare a voucher transmittal and a check to send to the Treasury Department. All receipts could be deposited to one holding account and redistributed to the proper revenue code on a monthly or bimonthly basis. The comptroller could then debit or credit the revenue accounts to distribute receipts. Implementation would speed transmittal of some $45-million to the Treasury Department by 15 days. The resulting additional investment income would amount to $112,500 per year.

Implementation Strategy: The comptroller should authorize the state-owned colleges and university to eliminate coding and voucher transmittal activities. Procedures should be developed and implemented to accomplish transmittals to the Treasury Department 15 days earlier than at present.

34. Solicit increased contributions from foundations, alumni and the federal government to supplement present income.

Many schools obtain substantial donations from foundations and alumni as well as from the federal government to help pay their costs of operation. However, the increasing dependence of Pennsylvania's state-owned colleges and university on General Assembly appropriations has tended to minimize the direct solicitation of these outside funds.

Proposed Approach: Each state-owned institution should establish an organized, aggressive program to solicit outside funds. Activities should be directed toward school alumni, private foundations and various federal agencies. Personnel should become experienced in fund raising and should operate under the direction of the school's chief financial officer. Data on 206 public institutions indicate that 12% of all alumni solicited contributed an average gift of $49 during fiscal 1974. If state-owned institutions could achieve a benefit equal to 50% of this return, the annual income would be $882,000 based on 300,000 alumni. The average foundation support per school was $412,000. At 10% of this level, the net annual income for Pennsylvania's state-owned schools would be $577,000.

The total income to be derived from these two sources would amount to about $1.5-million annually. As each institution would directly reap the benefits of its efforts, maximum incentive would be provided to school administrations to pursue fund raising activities vigorously.

Implementation Strategy: The president and the chief financial officer of each school should develop an action plan for suitable fund raising activities. This plan must include firm goals within a specific schedule. Approximately one year will be needed by most institutions to launch a full-scale operation.

35. Pay the salaries and fringe benefits for alumni directors from alumni contributions.

Many state-owned colleges include salaries for alummi directors as part of their operating budgets. Since these positions provide service to the alumni, it would be more appropriate for them to be supported by alumni contributions rather than state funds. West Chester already follows this practice.

Proposed Approach: Alumni directors should be responsible for soliciting contributions needed to pay their salaries and to support alumni functions and publications. Implementation would provide an annual saving of $90,000 based on current salaries. If the remaining six schools add alummi directors, there will be an additional annual cost avoidance of $120,000.

Implementation Strategy: The college presidents should direct their vice presidents, Administration, to develop the necessary procedures and time schedules to shift funding from the operating budgets to alumni contributions. Implementation should be complete within the next academic year.

36. Establish regional computer centers to serve the state-owned institutions.

All of the schools in the state-owned system have one or more computer systems to meet instruction, research and administrative data processing needs. The demand for more computer time is growing in all three areas. To meet these needs, increasingly more sophisticated hardware and software applications will be required by all of these institutions.

Proposed Approach: Rather than expanding individual operations, regional computer centers should be established to meet the overall needs. This approach would permit the utilization of more advanced computers, increase efficiency, reduce hardware and operating costs and ensure uniform processing of common administrative data. It would also provide backup systems to reduce downtime and establish a common hardware and language base for academic usage.

To meet estimated requirements, it is suggested that four centers be established. Indiana University of Pennsylvania and West Chester State College could constitute logical choices for two of the centers because of their existing equipment capabilities. Based on current expenditures, implementation should provide an annual saving of approximately $3.6-million in manpower and facility expenses.

Implementation Strategy: The department should work with the Bureau of Management Services to develop and implement a plan to establish the four regional centers by September 1976.

37. Regionalize the placement offices of the 14 state-owned colleges.

Each of the colleges operates a placement service for its students. In addition to employment activities, they conduct career seminars and arrange for on-campus recruiting by business and government. Staff usually consists of a director, an assistant and appropriate clerical support.

Proposed Approach: The activities of these 14 offices could be administered more efficiently from four regional placement offices. A director would be maintained at each school to provide liaison, but all assistant positions and approximately 30 clerical jobs could be eliminated. The annual saving to be attained would amount to approximately $434,000.

Implementation Strategy: The secretary, Department of Education, should authorize the change in conjunction with the regionalization of electronic data processing activities for these institutions.

38. Enforce a uniform energy conservation program at all state-owned institutions.

Within the state-owned colleges and university, much has been accomplished toward energy conservation, based on general guidelines and innovative approaches. Indiana University of Pennsylvania, by reviewing its billing procedures, was able to negotiate a lower electrical usage rate which achieved substantial savings. Edinboro State College estimates it saved $20,000 in electricity by extending the Christmas holiday break for 12 days during the time of high energy consumption. Unfortunately, specific ideas and efforts have not been coordinated throughout the state-owned school network. There is no consistent program in operation nor is there a mutual exchange of information.

Proposed Approach: The state-owned colleges and university, with the Department of Education as a focal point, should develop and implement a uniform energy conservation program. It should be based on available government and industrial programs and should provide specific goals. Industrial programs have reported as much as 20% in cost reductions. Implementation in the state-owned school system should result in at least a 5% decrease in the projected 1976 expenditure of $10.5-million. Thus, the annual saving would be approximately $500,000.

Implementation Strategy: The Department of Education should work with the energy coordinators and councils at the various institutions to develop and install a uniform conservation program.

39. Examine the need for automatic control and monitoring systems at state-owned institutions.

A project is under construction at Bloomsburg State College which will extend certain utilities on campus at an estimated cost of $300,000. It includes installation of fire alarm and master clock systems, security tour points and surveillance units for mechanical equipment. There appears to be serious question as to the need for these extensive controls on such a small campus. There is only one similar system in operation — at Shippensburg.

Proposed Approach: As the proposed system appears to be well beyond the requirements of the current, self-contained physical plant, the entire concept should be reevaluated. This should be done to prevent an extension of this type of project to the remaining schools in the system. Considering the fiscal pressures which exist to reduce institution spending levels, any cost benefit which might result from implementation should be clearly defined and quantified. Unless a study reveals a definite need for automatic monitoring and control, the project should not be adopted by any other state-owned college. In each case, there would be a one-time cost avoidance of approximately $300,000. Since an evaluation is necessary, no saving is claimed.

Implementation Strategy: The existing system at Shippensburg should be studied by the Division of Physical Plant and Construction in the Department of Education to determine its usefulness. The director, Physical Plant Department, at Bloomsburg, should be authorized by the president and vice president, Administration, to define the benefits of the system proposed for that school. Costs and savings should be identified. The results of both studies should provide a basis for an implementation decision.

40. Eliminate the requirement for purchase orders on items costing less than $100.

Whenever an item is purchased for any of the 14 state-owned colleges and university, a requisition must be typed and the information retyped onto a purchase order. This must be done even for small dollar amounts.

Proposed Approach: Instituting the use of a combination requisition-order form for local purchases of less than $100 would eliminate the retyping activity. It would also make telephone ordering practical since orders could be confirmed by Purchasing Department notations on the forms. Implementation should make it possible to eliminate one clerical position at each state-owned institution for an annual saving of $112,000.

Implementation Strategy: The Bureau of Purchases in the Department of Property and Supplies should authorize the proposed change in procedures and update its field manual accordingly. Purchasing directors in each state agency would be responsible for implementation.

41. Publish an information booklet describing the 14 state-owned schools.

There is no single booklet which describes the educational opportunities offered at the state-owned institutions. Because of this, a student wishing to compare the various schools must contact each for a copy of its catalog. This results in duplicative requests and unnecessary mailing expenses.

Proposed Approach: A single booklet should be published to provide information on all 14 schools. Intercollege comparisons would be possible and greater visibility afforded the lesser known institutions. Data should be provided which would encompass a general description of the school, profile of student life, programs of study, expenses and admissions policies. Using competitive bidding, the annual cost of printing such a document is estimated at $9,000. However, there should be a compensating benefit in reduced mailing costs and clerical work loads at the individual schools.

Implementation Strategy: The Board of State College and University Directors should adopt a resolution authorizing the publication of a common booklet. Data should be submitted by the schools based on a standard format. Implementation should be complete within six months.

42. Reduce publishing costs for undergraduate catalogs.

Each of the 14 state-owned institutions produces its own undergraduate catalog. These vary in size, organization, quality and cost. In general, they are more elaborate and expensive than necessary. Because of the relatively small quantities, unit cost are high — approximately $1 per copy. For the 1974-75 academic year, the total expenditure for the 14 schools was $193,000.

Proposed Approach: Standards should be established with regard to the quality, content, organization and cost of undergraduate catalogs. Paper quality should be standardized at a lower level that at present, general copy should be brief and course descriptions set in smaller type. All blank pages and section title dividers should be eliminated and covers prepared in two-color rather than four-color printing. Implementation should reduce overall costs by 25% and provide an annual saving of about $50,000.

Implementation Strategy: The Board of State College and University Directors should adopt a resolution to reduce catalog publishing costs. A goal of 25% should be set for a systemwide reduction in expenditures.

BLOOMSBURG STATE COLLEGE

The college is organized around three major functional areas (Academic Affairs, Administration and Student Life) each headed by a vice president reporting to the president. Its expenditures for fiscal 1975 were approximately $15.6-million.

Total staffing at Bloomsburg State is 630, including 267 teaching faculty. Full-time equivalent student enrollments in 1974-75 were 5,590.

43. Establish a branch of a local bank on campus.

Currently, banking needs of the college community are served by a "student bank" operated by the student activities committee and supported by student funds. It has a relationship with a local bank and can cash checks against deposits. However, it cannot offer the full range of services that a commercial branch could. There are no other banking facilities on or near the campus. Local sources feel that the college community's size (over 4,800 students and 600 staff) warrants a full-service bank.

The existing facility was constructed in anticipation of eventual takeover by a regular bank. It physically meets all standards for federal or state approval. Its ground-floor location in the college union is ideal for customer access.

A proposed Kehr College Union Branch Bank bid was prepared by Bloomsburg in 1974, requesting sealed bids from the banking community. Submitted to the Department of Property and Supplies, this proposal has yet to be acted upon. Of major concern is the question of the legality of the state negotiating a contract to lease space in a government building to a competitive enterprise.

Proposed Approach: A commercial branch bank should be established on the campus as proposed. A contract should be let for its operation, using the bid request as a basis for negotiation following resolution of the legal question.

The income from such a contract is estimated at $3,000 per year. The Student Government Association anticipates an annual saving of approximately $10,000 in salaries and supplies.

Implementation Strategy: Bloomsburg should order that another request-for-action be sent to Property and Supplies regarding the proposed branch bank bid. The business manager, in submitting this request, should support it with an opinion by the college counsel regarding the legality of the operation.

When the legal question is resolved, the deputy secretary in charge of state properties should establish a bid-opening date and send the request for bids to appropriate area banks. In accordance with state regulations, a contract should be awarded and full-service operations initiated. The total elapsed time from the request-for-action to initial operation of the bank should be no more than four months.

44. Require that students register cars and park them on campus.

The worst problem between the town of Bloomsburg and the college is off-campus parking by students. Although

there is ample, free parking on campus, nearby streets are normally crowded with student cars. It is believed most of these cars belong to underclassmen and some state grantees, both of whom are usually prohibited from having cars on campus.

Proposed Approach: In cooperation with the town's council and police, the college's Department of Safety and Security should identify those students parking off campus and require them to use school facilities. In addition, to cover the cost of registering cars and issuing decals, an annual charge of $3 should be levied on all registrants — students, faculty and other employees.

The rule prohibiting underclassmen from having cars should be reevaluated in light of modern standards, and perhaps modified to include only those on academic probation. Students violating the regulations of state grants should be dealt with through their guardians and the assistance agency.

These actions will improve community relations, traffic conditions and utilization of campus facilities. Abuses of grant regulations should be dealt with, and perhaps some loans can be redirected or canceled. In addition, the parking fee will generate a modest annual income of $10,000 to offset the cost of registration and parking area maintenance.

Implementation Strategy: When the academic year starts, students should be required to register cars in their possession, as should other owners (faculty, noninstructional personnel). The Department of Safety and Security should issue identification decals at a charge of $3. Registrants should be required to park in designated areas. These should be marked with spaces provided for visitors.

The vice president, Student Life, aided by a faculty/student committee, should reevaluate the rules regarding possession of an automobile. Revised policies should be enforced by both student government and the administration. Students denied car privileges should be allowed to use a designated area for long-term storage of their cars. This should be on college property, and could be located at the upper-level campus.

45. Sell most of the unused acreage belonging to Bloomsburg State College.

Bloomsburg occupies two tracts — upper campus and lower campus — totaling 176 acres. The 73 acres of the lower campus tract are fully utilized. However, only 50 of the 103 acres in the second parcel have been developed. Long-range plans called for eventual use of the land for academic purposes and utilities — water, sewers and electricity — have been installed. However, based on current trends and revised forecasts of student enrollment, there is little chance that present facilities will need expansion in the foreseeable future. Therefore, the land should be sold.

Proposed Approach: The plot plan for the upper campus should be reviewed and reevaluated in terms of the long-range needs of the college. Optimum areas should be identified and held for future requirements. The remaining acreage should be sold. The estimated value is $4,000 per acre. Assuming a sale of at least 40 acres, the one-time income would be $160,000. This amount is claimed in the Physical Resources section. Efforts in regard to a land sale should be coordinated with the Division of Real Estate Management, a new activity proposed for the Bureau of Real Estate.

Implementation Strategy: The state as owner of the land will, through its Bureau of Real Estate, handle the sale. This process will vary, depending on the market for the land in Bloomsburg and the priority this transaction is given. The time required should not exceed three years.

Prior to any action by the state, the college president should appoint an administrator to handle an evaluation of the upper campus tract. This person should, possibly with the aid of a small task force, coordinate an overall study. It will integrate the long-range plan for the college with a special review of previous plans for the upper campus. Identification should be made of the prime areas for campus expansion. These results should be reviewed by the college president and discussed with the Bureau of Real Estate. Land identified as excess should be sold.

CALIFORNIA STATE COLLEGE

This college offers courses in the arts, sciences and professional education fields. The full-time equivalent enrollment for 1974-75 was 4,030. Expenditures for fiscal 1975 were approximately $17.3-million. The total staff is 705 of which 336 are instructional faculty.

RECOMMENDATIONS

46. Merge the accounts payable and accounts receivable functions in the college's Purchasing Department.

The Accounts Payable Section is staffed by eight clerk-typists, one clerk-stenographer, a purchasing agent and a procurement director. The volume of work is such that personnel are noticeably underutilized.

Proposed Approach: The Accounts Payable Section should be merged with Accounts Receivable and the total staff reduced by one purchasing agent and one clerk-typist. This would improve the work levels and permit an annual saving of $24,000.

Implementation Strategy: Upon authorization of the president, the vice president, Business Affairs, should make the necessary personnel changes.

47. Eliminate dormitory housemothers.

At one time, these positions were necessary to maintain discipline within dormitory residences. With the advent of open housing on campus, the concept of a housemother is outdated and unnecessary.

Proposed Approach: Custodial care should be provided by graduate students living in the dormitories. These students would provide whatever supervision was necessary and would be reimbursed by free board. The total annual cost would be $4,000. Eliminating the 10 housemother positions would provide an annual saving of $107,000. The net annual saving would be $103,000.

Implementation Strategy: The president should authorize the vice president, Academic Affairs, to make the necessary personnel changes. Implementation should be complete no later than the spring semester, 1976.

48. Do not construct the proposed library.

A utilization review of the library books at California State shows that 60% are never taken out, 20% are seldom used and 20% are actively circulated. The need for storage space to house new volumes is such that a new facility is in the planning stage. A capital expenditure of $5.7-million has been approved.

Proposed Approach: Several methods should be employed to increase active library shelf space in the existing facility. This would eliminate the need for a new library. Steps to be taken should include:

- Provision of inactive storage space. Inactive volumes should be removed from library shelves and compacted for maximum storage capacity. Library of Congress codes could be used to provide retrieval access through the standard card file. This will free sufficient shelf space for library acquisitions.

- Utilization of mobile facilities. This method could be used to permit a sharing of library resources between California, Indiana, Slippery Rock and the University of Pittsburgh.

- Installation of facsimile transfer equipment. Such systems are in existence at the University of Pittsburgh, Penn State and various other state college libraries. Although installation costs can be significant, this approach has substantial potential for reducing annual acquisition expenditures. These costs amounted to $616,000 for the California library in fiscal 1975.

Utilization of these alternatives should make the existing library facility more than adequate, permitting the school to achieve a one-time cost avoidance of approximately $5.7-million. Annual savings related to operating costs cannot be quantified.

Implementation Strategy: The president should obtain the approval of the trustees to withdraw the capital construction request. The vice president, Academic Affairs, should authorize the director, Library Services, to augment existing facilities as proposed.

49. Centralize purchase and distribution of audiovisual materials.

There is no system to provide accurate records of available audiovisual materials or current expenditures. In addition, no attempt is made to correlate needs and equipment between departments. In some cases, the location or condition of equipment is not known.

Proposed Approach: A central distribution and cataloging system should be established under tight budgetary controls. Based on a projected budget of $450,000 for fiscal 1976, it is estimated that an annual cost avoidance of $90,000 can be achieved. This would be accomplished by reducing excessive inventories and avoiding duplicate purchases. Student services could be utilized to run a distribution center to keep track of current equipment.

Implementation Strategy: The director, Audiovisual Aids, should assume responsibility for all such equipment and purchases on campus. He should develop a system to correlate requirements with existing resources.

CHEYNEY STATE COLLEGE

Cheyney's educational curriculum has traditionally been designed to produce teachers, although degrees are also offered in the arts and sciences. The school has experienced significant growth since 1960. At that time, the full-time equivalent student body numbered several hundred. It now totals more than 2,300. Of the 401 staff members, 164 are instructional faculty. The operating expenditures for fiscal 1975 were about $10.2-million. Immediate plans call for orderly expansion of the school's faculty, student body and physical plant along with a broadening of the educational curriculum.

RECOMMENDATIONS

50. Phase out unnecessary director positions.

The following areas now have division directors: Humanities; Social and Behavioral Sciences; Natural Sciences and Mathematics; Student Teaching; Secondary Education: World Cultures Center; and Cultural and Learned Affairs Center. This position represents a hybrid

function between the deans and the department chairmen. It encompasses many planning responsibilities which should be handled by the respective deans. In addition, the ratio of administrators to faculty members in the academic affairs area is sufficiently high to dilute decision-making activities and slow communications. The World Cultures and Cultural and Learned Affairs Centers are basically support functions. Funds are now provided through private and federal grants, but continuance of activities will soon require state funding.

Proposed Approach: The division directors should be phased out and their responsibilities assigned to the deans and department chairmen as appropriate. Three of the incumbents will be retiring within two years. Remaining positions should be eliminated. The annual saving to be realized would amount to $70,000. Elimination of the two center directors would provide an additional $67,000 in cost avoidance benefits. Implementation would enhance decision-making activities and accelerate communications.

Implementation Strategy: The president should authorize a restructuring of administrative responsibilities in the academic affairs area to effect the change. Implementation should be complete by the end of fiscal 1977.

51. Provide secretarial support for department chairmen and faculty.

Because department chairmen do not have secretaries, most of them must spend 40% to 50% of their time performing routine administrative duties. Many do their own typing and filing, teach at least six hours per week and hold office hours for student consultations. At present, there is one secretary per division who reports to the division director. A pool of four typists is also available, but turnaround time for correspondence averages three days to a week. The ratio of support help to directors, chairmen and faculty is roughly 1 to 15.

Proposed Approach: As a previous recommendation eliminated five division directors, the secretaries assigned to them would be available to provide necessary administrative support. In addition, a clerical work study should be performed to determine if more staff is necessary. Increasing this support should provide department chairmen with an additional three hours per week which could be spent teaching. This would be the equivalent of three faculty members. Eliminating the necessity for three new teaching positions would provide an annual cost avoidance of $54,000. The secretarial salaries are already in the operating budget.

Implementation Strategy: Division secretaries should be reassigned and the vice president, Academic Affairs, should determine the need, if any, for increased clerical support. Department chairmen should increase their teaching schedules during the 1975-76 academic year.

52. Eliminate the coordinator position in Affirmative Action and Labor Relations.

This position was established to provide assistance to the institution's affirmative action officer. It is a part-time activity and the nature of the problems have now changed to a point where the cost of its continuance cannot be justified.

Proposed Approach: The responsibilities of this position should be incorporated with those of the designated affirmative action officer and the personnel officer. A saving of $22,000 annually would result since the shift of assignment would not add significantly to the work loads of the other two people.

Implementation Strategy: The president should issue a directive to accomplish this change. It should be completed by the end of fiscal 1976.

CLARION STATE COLLEGE

This is a state-owned institution located within the town of Clarion. The full-time equivalent enrollment for 1974-75 was 4,729. Curriculum enrollment is 40% education, 17% business management and 43% liberal arts and sciences. Its fiscal 1975 expenditures totaled $16-million. The staff of 636 includes a faculty of 249.

RECOMMENDATIONS

53. Extend contract custodial services to all college residence halls.

Custodial services are supplied by an outside vendor for four residence halls and a dining facility. The cost is approximately $18,300 per building on a yearly basis. Three other residence halls are maintained by college employees at an annual cost of $30,300 per building.

Proposed Approach: The contractor has submitted an estimate of $15,000 each to include the other three buildings. Implementation will save approximately $45,900 per year by eliminating eight positions.

Implementation Strategy: A request for approval should be submitted by the president to the appropriate officials in the comptroller's area of the Department of Education and the Office of Administration. Implementation should be accomplished within three months.

54. Contract for all refuse removal services.

State employees now collect refuse from various campus locations and transport it to a central point. It is then

picked up by a local contractor for final disposal. It would be more economical to permit the contractor to collect the refuse.

Proposed Approach: The contractor has submitted an estimate of $15,000 for collection and removal services. This would save about $10,000 yearly over current expenditures by eliminating two positions.

Implementation Strategy: A request for approval should be submitted by the president to the appropriate officials in the comptroller's area of the Department of Education and the Office of Administration. Implementation should be accomplished within three months.

EAST STROUDSBURG STATE COLLEGE

This school offers baccalaureate degrees in the humanities, natural sciences and social sciences as well as graduate degrees in education and the arts. Its 140-acre campus contains 32 housing, instructional and support facilities, including a computer center, a communications hub with two TV studios and a 235,000-volume library. Instructional faculty comprise 211 of the 527-member staff.

Total college expenditures for fiscal 1975 amounted to $12.4-million. Though the cost of providing education is increasing 20% yearly, East Stroudsburg maintained a full-capacity enrollment of 4,220 for 1974-75.

RECOMMENDATIONS

55. Combine the custodial and maintenance staffs under the plant engineer.

About 60 employees perform custodial duties at the college. Presently, they report to the assistant business manager. This means that the appearance and upkeep of the school are dependent upon coordination between the custodial staff and the maintenance personnel. These custodians should be providing first-line preventive maintenance by being held accountable for reporting repair needs detected during routine cleaning.

Proposed Approach: The custodial staff should report to the plant engineer. Thus, all functions relating to appearance and maintenance of the school would be centralized. This should result in increased efficiency in scheduling and overall operation. No direct savings are claimed.

Implementation Strategy: This reorganization can be accomplished by order of the president. The institution's business manager should be held responsible for its immediate execution.

56. Eliminate the position of housemother.

There are currently four housemothers assigned to the women's dormitories. Many of their traditional duties have been phased out while others have been assumed by resident assistants. The housemother function is passe. Students can come and go at liberty. Maintaining general order and satisfactory study conditions has become the responsibility of the resident advisor.

Proposed Approach: The school should eliminate the position of housemother and charge the resident assistants with sole responsibility for handling minor problems. The total savings in salaries would amount to $42,100 annually.

Implementation Strategy: The president should issue an order eliminating the position of housemother. The dean, Student Affairs, should then take the necessary actions to carry out this directive.

57. Reduce the medical facilities at East Stroudsburg State College.

The college's 22-bed medical center is staffed by a full-time physician, four registered nurses and a secretary. The infirmary is open 136 hours a week. The center has two examination rooms, a reception area, lounge and waiting room, double rooms, ward, offices, supply rooms and a fully equipped kitchen. These facilities are available to students, faculty and employees at no cost for the first three days and $1 per day thereafter.

Health center admissions totaled only 13 in the 1973 fall semester and 12 in fall 1974. None of these patients remained longer than two days. Most of the center's caseload consists of outpatients with colds, stomach upsets and headaches — problems easily handled by a nurse. For work such as x-rays, lab tests and physical therapy, patients are presently referred to General Hospital, a 235-bed facility adjacent to the campus.

Proposed Approach: Medical services should be reduced to the point that one registered nurse, with a normal work week, would provide outpatient care and handle attendant recordkeeping. These tasks could be accomplished in just one examination room and an adjoining office. The second examination room should be converted into a reception/waiting area.

Cases requiring a doctor would be referred to General Hospital. Physical examinations for athletes could be conducted at the health center by a physician on contract. Resulting reductions in work force and expended supplies would produce annual savings of $100,000.

Implementation Strategy: The president, with approval of the trustees, should authorize reduction of the college medical center to a limited outpatient facility. The dean,

Student Affairs, should direct all changeover activity, including personnel reassignment and liaison, with the local hospital. He should coordinate with the athletic director on securing a contractual agreement with a doctor to conduct physical examinations. This entire changeover should be accomplished by the 1976 fall semester.

58. Convert vacated health center space into a dormitory.

The present shortage of student housing is critical. Enrollment is increasing steadily and zoning laws prohibit group living within the community. Therefore, there is an expanding need for on-campus dormitory space. Where possible, three students are being assigned to rooms intended for double occupancy. Nevertheless, additional space is needed.

Proposed Approach: As soon as campus medical services are curtailed, the vacated portion of the health center could be converted to dormitory facilities at minimal cost. The available space could provide double accommodations for at least 30 students. At $864 per student per year, total additional income would be about $25,900.

Implementation Strategy: Following authorization by the president, and in coordination with the dean, Student Affairs, the plant engineer should accomplish the dormitory conversion as quickly as the health center space becomes available.

59. Apply a cost differential to dormitory housing by charging an additional $25 per semester for double occupancy.

Presently, the college has a severe shortage of student housing. There are eight dormitories with a total designed capacity of 1,788. In order to meet a far greater need, studies and lounges have been converted and 200 double rooms are now housing three students. However, there is no differential in the cost of this housing. Students are paying identical rates regardless of the number assigned to a room.

Proposed Approach: In fairness, a cost differential must be established for dormitory housing. The more than 1,300 students who enjoy double occupancy should pay $25 more per semester than those with two roommates. This extra charge would produce added income of $32,850 per semester, or $65,700 annually.

Implementation Strategy: With the aid of the business manager, the dean, Student Affairs, should develop a cost-based plan justifying the new charge for presentation to the president. Upon approval, the dean, Student Affairs, should institute the charge and provide written notification to all students and college publications.

EDINBORO STATE COLLEGE

This state-owned college expended $19.2-million in fiscal 1975. The curriculum includes arts and humanities, sciences and social sciences and education courses. The average credit-hour cost is $80.48 which compares favorably with the rate of $92.77 at other state-owned institutions. The total full-time equivalent enrollment for 1974-75 was 7,006 students. There has been a sharp reduction in enrollments for educational programs, particularly elementary education programs.

RECOMMENDATIONS

60. Revise organizational and management practices at the Gehring Health Center.

This student health center operates with a full-time director, three additional part-time physicians and 10 nurses. It has 20 beds and receives approximately 53 student visits per school day. A charge of $1 is made for prescription medications. In most cases, the physicians are contacted in their offices by a nurse who describes the symptoms to be treated. Both the methods of dispensing drugs and the high level of nursing personnel are questionable.

Proposed Approach: The health center should establish an objective of breaking even with operating expenses by controlling costs and charging equitable fees for its services. In addition, a reduction of 25% in operating costs should be set as a second goal. Several changes should be initiated to accomplish this. First, the part-time physicians should either establish regular clinic hours or be taken off the college payroll. A realistic schedule of medication charges should be established and a fee of $10 per student initiated to cover the health service operation. Proper scheduling could reduce the nursing staff by three positions. Implementation would provide an annual income of $170,000 and an annual saving of $30,000.

Implementation Strategy: The college president should authorize a $10 fee for health services. He should direct the school business manager to review current operating practices and initiate required changes in cooperation with the health center's director.

61. Close the college's Shenango Valley Campus.

Enrollments at this campus have declined to the point where operating costs can no longer be justified. At present, there are only 99 students and prospects for subsequent semesters are poor. The operating deficit for the first semester of 1974-75 exceeded $50,000. Alternate state institutions are within driving distance of this school.

Proposed Approach: The campus should be closed and prospective students accommodated in nearby state edu-

cational institutions. Implementation would provide an annual saving of $250,000 in operating costs.

Implementation Strategy: A recommendation to close the school should be developed by the college president and referred to state authorities in Harrisburg. It should incorporate a plan for accommodating present students in other facilities.

62. Sell the surplus land owned by Edinboro State College.

Edinboro owns approximately 585 acres of land. At least 200 are undeveloped and will not be required by the college in the foreseeable future. Portions of this land could be used for residential or commercial purposes.

Proposed Approach: The college should establish a realistic long-range building program and sell surplus land holdings. Assuming that 150 acres were sold at a price of $3,000 per acre, the one-time income would be $450,000. The proposed Division of Real Estate Management in the Bureau of Real Estate should be consulted before any steps are taken.

Implementation Strategy: The president should appoint a task force to study the long-range land needs of Edinboro State College. Sale of any acreage classified as excess because of this study should be coordinated with the Bureau of Real Estate.

INDIANA UNIVERSITY

Indiana is the largest of the 14 state-owned schools. It offers both graduate and undergraduate training and the curriculum includes courses in arts and sciences, business, education, fine arts, health services and home economics. The university has a main campus and two branch locations. Full-time equivalent enrollment for 1974-75 was 11,362 students. Staff numbers 1,207 of which 549 are instructional faculty members. Expenditures in fiscal 1975 were $29.5-million.

RECOMMENDATIONS

63. Eliminate the expense of the four dormitory housemothers at the branch campuses.

Each of the university's branch campuses has two privately owned dormitories for which the school provides housemothers. These positions were eliminated from main campus private dormitories a few years ago. The justification for maintaining them at the branches is not sufficient to warrant the expense to the state.

Proposed Approach: Since these are privately owned facilities, the state employees now working as housemothers should be eliminated from the staff. The owners should then assume full responsibility for providing required personnel. Implementation would result in an annual salary saving of $39,000.

Implementation Strategy: The president should issue an executive order eliminating these positions. The vice president, Student Affairs, would be responsible for informing the dormitory owners and the incumbent housemothers of the action taken. The university should provide assistance to the owners in selecting adequate replacements.

64. Institute a health fee of $15 per semester for full-time students.

The university operates a full-time infirmary to serve student needs. The health center employs four physicians and 14 nurses. The cost of operation was budgeted at $347,000 for fiscal 1975 with revenues of $17,000 from the sale of medication and room charges.

Proposed Approach: Operating expenses for this service should be supported by the students rather than the state. Therefore, a health fee of $15 per semester should be initiated for all full-time students. The university should also determine what charges, if any, should be made to part-time, summer school and branch campus students. Implementation should provide an annual income of $300,000 to offset the majority of the operating expenses.

Implementation Strategy: The president should ask the trustees to add this fee to those authorized for fiscal 1976. It is not anticipated that the university will be able to recover its operating expenditures through this proposal.

KUTZTOWN STATE COLLEGE

Primarily, this school is a teachers college. It is now broadening the curriculum to include undergraduate and graduate studies in the arts and sciences. Full-time-equivalent enrollment for 1974-75 was 4,850. The college's total staff complement of 629 includes 265 instructional faculty members. The administration functions well in most areas and uses available funds to maximum benefit. However, wage increases and general inflation are placing a severe strain on the institution. Fiscal 1975 expenditures were $14.5-million.

RECOMMENDATIONS

65. Expand the existing security force to eliminate the need for contract services.

Daytime campus security is handled by the college's own five-member force. One of them spends most of his time performing clerical work while another serves as a relief

man. This organization's primary function is to control traffic and parking. Between 4:00 p.m. and 8:00 a.m., campus protection is provided by a commercial security force of 14. This is a costly service and the college's chief security officer is dissatisfied with the firm's personnel because of their poor qualifications and high turnover.

Proposed Approach: The internal security force should be expanded so that the contract service can be terminated. Presently, security is a responsibility of the business manager. To improve supervision, consideration should be given to transferring this function to the student affairs vice president or the assistant business manager.

Job descriptions should be prepared for a director of safety and security and a chief of security. They would be responsible for writing standard operating procedures and selecting candidates for an enlarged force totaling about 15 people, including a clerk. Training expenses would total about $6,000. One-time uniform allowances for three supervisors and nine officers would cost an additional $3,800.

Kutztown's split security arrangement costs $274,700 a year. Millersville, a comparable state college, operates an internal, 15-man force for $222,700. Therefore, this recommendation should produce annual savings approximating $52,000.

Implementation Strategy: The president must establish the chain of command for the expanded security force. Job descriptions should be prepared by his administration. All personnel selected by the new director and security chief should be approved by the administration. The total force should be organized and trained by June 30, 1976, which is year-end for the service contract.

66. Eliminate the position of purchasing agent.

The present purchasing agent has been in the position for 10 years, yet there are practically no records on requisitions processed by his office. Follow-up files and written correspondence concerning unapproved purchase orders do not exist. There is a lack of good business practice on the part of this office.

These deficiencies exist despite an admittedly low volume of purchase orders. Faculty members commonly bypass the Purchasing Office and forward purchase orders directly to the Business Office for processing.

Proposed Approach: The administration should eliminate the purchasing agent position. It should define and publish the purchasing mission for the Business Office, instructing all personnel to channel requests accordingly. This office should produce monthly reports on purchasing activity by volume, dollar value, completion status and other categories, in line with standard business procedures. The reorganized purchasing effort should be directed by the assistant business manager.

The Business Office would handle purchasing for the entire college, thus relieving other personnel of this function. Eliminating the purchasing agent position will provide annual savings of $20,000.

Implementation Strategy: The college's president should define the purchasing function and assign it to the Business Office. He must direct all personnel to send future purchase orders through this office. Then, he should terminate the present purchasing agent position. The business manager should assign all of the purchasing duties to his assistant.

67. Charge a fee to students and employees who use parking facilities.

At present, parking expenditures are included in the overall school budget and supported by state appropriations and student tuition fees. It would be more equitable to identify these costs and establish a fee schedule to cover them. In this way, the expense will be assumed by those people using the parking facilities.

Proposed Approach: An estimate of direct and indirect expenses related to operation and maintenance of campus parking should be made by the school's Business Office. From these data, a reasonable fee should be set. Based on similar activities at other state-owned institutions, a charge of $5 per semester appears feasible. The additional income would be $25,000 annually, based on a use level of 2,500 cars.

Implementation Strategy: The college's president should request a breakdown of estimated parking expenditures with a recommended fee from the Business Office. The charge would be approved by the president and submitted to the trustees for authorization and an effective date. The Office of Student Affairs should then be notified in order to have printed material updated to include the new policy. The Business Office should order decals for car identification and the Security Office should be issued forms to use in connection with the fee collection activity. Revenues should be turned over to the Business Office.

68. Replace service contracts for temperature control equipment with one maintenance employee and a helper.

Presently, all of the college's temperature control equipment is covered by full-service contracts. There is no dissatisfaction with this service. However, if the required maintenance personnel were under the control of the plant maintenance function, the service would cost less and the in-house skills could also be used elsewhere. Such capabilities could be acquired by training personnel

on the payroll or by hiring. It would be necessary to add a net of one person to the payroll. Two people would need to be trained: one maintenance person and a helper. Since the work load has seasonal peaks, scheduling is a prime consideration.

Proposed Approach: The business manager and director of plant maintenance should outline a detailed maintenance program, committing themselves to the addition of one person. With the current hiring freeze, it may be necessary at the outset to service only half of the equipment, using the in-house trainee.

The current annual service contract costs $57,200. If the work is performed by college employees, wages and supplies would run $20,300 per year, for net annual savings of $36,900.

Implementation Strategy: With the president's approval, the business manager should instruct the director to determine what training is necessary and where it can be obtained. The director should identify in-house candidates and establish a training timetable which coincides with the September expiration of the service contracts.

69. Sell the surplus land owned by the state at Kutztown State College.

The college has some 115 acres of surplus land. Approximately 25 are needed for long-range facilities expansion. The remaining 90 acres have a total market value of $225,000. If the land were sold, the one-time income could be put to more effective use.

Proposed Approach: The exact amount of surplus land should be identified in accordance with realistic future plans for the college. Arrangements to sell the land should be made with the Bureau of Real Estate. This unit would be one of the functional organizations in the proposed Division of Real Estate Management, discussed elsewhere in the report. It should not take longer than three years for the bureau and the college to sell this land for a one-time income of $225,000. This amount is claimed in the Physical Resources section.

Implementation Strategy: The business manager should complete a review of long-range land needs for the college and arrange for sale of the surplus acreage with the Bureau of Real Estate. He should also obtain an appraisal to establish the land's value and list it for sale.

LOCK HAVEN STATE COLLEGE

This college is one of the smaller state-owned institutions with a full-time equivalent enrollment of 2,506 students for 1974-75. It is a multi-purpose school offering courses in the arts and sciences, education, health, physical education and recreation. Total expenditures for fiscal 1975 were $9.2-million. There are 397 employees including 160 teachers.

RECOMMENDATION

70. Contract with Lock Haven Hospital to operate the school infirmary as an auxiliary unit.

The Glennon Infirmary provides student health care for the college. Serious cases are referred to Lock Haven Hospital some five miles away. The facility, which occupies more than 5,000 square feet and has 14 beds, is underutilized. Staff consists of a part-time physician and four nurses. The annual operating expense is approximately $100,000, but no fees are assessed to the students.

Proposed Approach: This facility could be operated more economically if it were offered to Lock Haven Hospital as an auxiliary unit. The college should be able to negotiate a fee of $50,000 or less. This would result in an annual saving of $50,000 over current expenditures. In making this arrangement, the college should try to hold the cost of student health insurance at its present level.

Implementation Strategy: The president of Lock Haven should prepare a proposal for discussion with hospital administrators. If the plan is rejected, the college should take steps to reduce its expenditures. A health fee should also be authorized to offset operating costs.

MANSFIELD STATE COLLEGE

Although primarily an institution for teacher education, Mansfield has expanded its curriculum to include undergraduate and graduate studies in the arts and sciences. Full-time equivalent enrollment for 1974-75 was 3,028, but this is expected to decline in 1975-76. The personnel level is 528, of which 213 are instructional faculty. Fiscal 1975 expenditures were $12-million.

RECOMMENDATIONS

71. Eliminate the continuing education program at Mansfield.

The Continuing Education Division at Mansfield was established to improve utilization of existing faculty. The initial concept was to assign classes to those teachers with less than a full work load. However, of the 62 courses offered during 1973-74, only 13 were taught as part of a regular teaching load. The remaining classes were offered on a contracted overload basis at a cost of $32,800. Total operating costs were $128,500 while revenues amounted to $80,200. Thus, the program is operating at a deficit of $48,300. More importantly, the activity duplicates that of Penn State, a recognized leader in continuing education.

Proposed Approach: The Continuing Education Division should be eliminated and the programs discontinued. Students enrolled in these classes can be easily accommodated at Penn State. Implementation will provide an annual saving of $48,300.

Implementation Strategy: The Department of Education should issue a clarification of its mandate to provide continuing education in state-owned colleges. The existing directive encourages, but does not require such activities. The college president should authorize elimination of the division.

72. Charge a fee for parking privileges.

All students and employees are permitted to park on campus provided the vehicle is registered and displays an identification decal. Students pay $1 for the decal on an annual basis. Identification stickers are issued to employees without charge. At present, parking expenditures are included in the school budget and supported by state appropriations and student fees. It would be more equitable to identify the costs involved and establish a parking fee schedule to cover them. In this way, the expense will be assumed by those people using the facilities.

Proposed Approach: An estimate of the direct and indirect expenses related to campus parking should be made by the school's Business Office. Using these data, a reasonable fee should be established. Most other state-owned institutions charge $5 per semester. If a similar rate were established at Mansfield, the annual income would be $20,000 at current usage levels.

Implementation Strategy: The president should request the necessary data from the Business Office and submit the proposed fee schedule to the trustees for approval. School bulletins should be updated to include the new charge and an effective date. The Security Office should collect the fees and remit revenues to the Business Office.

73. Reduce operating costs at the Doane Health Center.

The center is staffed with a director, a part-time physician, six nurses and a custodian. Medical services are provided around-the-clock, seven days a week. Dispensary hours are 8:00 a.m. to 10:00 p.m. Services are provided without charge to students, faculty and other staff. Operating expenses for fiscal 1975 were $117,000.

Proposed Approach: The health center operation should institute an annual medical fee to recover a portion of its expenses. Such an approach is consistent with other school fees and would provide an annual income of $60,000 if a charge of $10 per semester were authorized. An additional fee of $10 for physical examinations should be implemented to provide an annual income of $4,000. Reducing dispensary hours would permit the elimination of one nurse for an annual saving of $9,000. The relatively low enrollment would make it difficult for the health center to be entirely self-sustaining.

Implementation Strategy: The secretary, Department of Education, should authorize the required fees. Implementation would be the responsibility of the center's director and the vice president, Student Affairs.

74. Consolidate library facilities.

At present, there are four library facilities on this small campus. The result is excessive operating costs and unnecessarily high staffing levels.

Proposed Approach: Consolidating the four facilities into two — one in Alumni Hall and one in Retan Center — will make it possible to reduce staff levels by eight positions for an annual saving of $118,000. The proposed consolidation will require improved space utilization at the main library in Alumni Hall. Lounge areas, conference and typing rooms could be economically converted to conventional library needs and existing lounge furniture could be replaced by tables and chairs to increase reader capacities. A space utilization study should be conducted at the main library and the Retan Center branch to ensure optimum use of existing space. Recently vacated areas adjoining the Retan Center branch can be used to house the music library and the material now housed in the audiovisual center.

Implementation Strategy: The president should request the director, College Libraries, and the director, Audiovisual Materials, to develop a plan to consolidate existing facilities into the main library and one branch. The director, Buildings and Grounds, should submit data on permissible floor loadings in the main library.

75. Improve EDP operations at Mansfield.

Auxiliary equipment in the school's computer center consists of two keypunches, a verifier, a card sorter, a reproducer, an interpreter and an optical scanning device. Most of the equipment is outdated and unreliable. It is utilized for registration and scheduling, student files and grade reporting. The systems used are inefficient, resulting in peak loads and a large percentage of idle time.

Proposed Approach: The optical scanning operations should be eliminated through a time-sharing arrangement with Bloomsburg State College. The other equipment should be replaced to enable the school to convert from the card batch mode now used to a tape system. Implementation will provide a net annual saving of $22,800 compared to current expenditures — including elimination of two keypunch operators — with increased capacity for other college EDP requirements.

Implementation Strategy: The school should prepare a request for proposal and submit it to the Department of Education for approval. Once approved, the proposal would be sent to the Office of Administration for bids. The computer center's director should implement necessary program modifications and forms changes.

MILLERSVILLE STATE COLLEGE

The full-time equivalent enrollment at this school for 1974-75 was 5,664. Millersville has a strong teacher education program complemented with graduate and undergraduate courses in the humanities, science and mathematics and the social sciences. The expenditures for fiscal 1975 were $18.5-million. Total employment was 819 including 261 instructional faculty. In fiscal 1974, approximately 52% of the school's income was derived from state appropriations.

RECOMMENDATIONS

76. Make the health services function at Millersville self-supporting.

The staff of the Health Services Department consists of a full-time physician/director, a part-time doctor, six nurses, a secretary/receptionist and a custodian/cook. Medical services are provided 24 hours a day, seven days a week during the regular school year. Approximately 20,000 student visits are made to the facility each year and more than 1,000 physical examinations are given to school athletes.

There are about 150 bed patients annually with average stays of two or three days. The total income for infirmary stays and insurance claims for antibiotics is estimated at $3,500 for fiscal 1976. Although medical facilities and services are more than adequate, the operating costs are excessive.

Proposed Approach: An annual medical services fee should be established to make the health services function self-supporting. A charge of $10 per semester for resident students and $5 for part-time pupils would provide an annual income of $106,000. A separate fee of $10 for physical examinations would provide an additional $10,000 in annual income. This approach is compatible with charges made for other school services. By using a numbering system to schedule student visits and assigning paperwork to the nursing staff, the secretary/receptionist could be eliminated. Shortening dispensary hours would make it possible to reduce the nursing staff by one position. Total annual savings to be achieved would amount to $18,000. Implementation will offset present operating costs.

Implementation Strategy: The vice president, Student Affairs, should request the secretary, Department of Education, to approve the establishment of the proposed medical fees. He should also authorize the department director to implement personnel reassignments and reductions.

77. Eliminate duplicate accounting procedures.

An inventory of general and food supplies is recorded by quantity and purchase price in a general ledger record. Perpetual inventories are also kept to indicate the quantity and dollar value of inventories on hand. The general ledger record duplicates information available from the perpetual inventory records.

Proposed Approach: The general ledger record should be eliminated. The perpetual inventory record for general supplies should show quantities only, but the one for food supplies should also indicate dollar amounts. This would permit monitoring of food service operating costs. The reduced work load would allow a reassignment of clerical duties and elimination of one position. The annual saving would be $8,000.

Implementation Strategy: Authorization for this change should be provided by the director, Administrative Services, following approval by the college president.

SHIPPENSBURG STATE COLLEGE

The college's curriculum consists of courses in teacher education, liberal arts and business. Full-time equivalent enrollment for 1974-75 was 5,468. There has been a gradual shift in emphasis from education to the liberal arts and business areas.

The expenditures for Shippensburg State in fiscal 1975 were $16.2-million. Total staff numbers 736 including 299 instructional faculty members.

RECOMMENDATION

78. Charge a $10 parking fee to students and college employees.

There are some 2,500 cars being operated by students and college personnel. The situation creates a parking problem for both the school and the community. This is particularly true when large events are held at the college.

Proposed Approach: The school is now in the process of expanding its parking facilities. In order to provide sufficient revenue to support this activity, an annual fee of $10 should be established for both students and college employees. The income should be approximately $25,000. Implementation would also curb existing parking abuses in the community and should improve relations.

Implementation Strategy: The president should authorize the vice president, Student Affairs, to take the steps necessary to initiate the proposed parking program. Special attention should be given to the possibility of lifting car restrictions imposed on lowerclassmen.

SLIPPERY ROCK STATE COLLEGE

Slippery Rock offers 30 academic programs which embrace 25 undergraduate majors and special fields such as foreign study, marine science and various intern and interdisciplinary areas. The school has expanded from a teachers college and had a full-time equivalent enrollment of 5,677 students for 1974-75. The staff totals 769 of which 309 are instructional faculty. Expenditures for fiscal 1975 were $19-million.

RECOMMENDATIONS

79. Contract for food services at Slippery Rock State College.

Food service operations at the college require 82 employees at an annual expenditure of $590,000 for salaries. The per-student cost is approximately $250 although pupils only pay $215 per semester. This results in an overall deficit of $224,000 per academic year.

Proposed Approach: The food service operation should be contracted to an outside vendor and present staff terminated. Vendor experience at Indiana University, which has approximately twice the number of participants, has been quite good. The contractor has provided the school with an annual revenue of $150,000. With a population of half Indiana's size, Slippery Rock should be able to realize an annual income of $75,000 under a similar plan. Elimination of the school operation will provide an annual saving of $224,000 in salaries and benefits.

Implementation Strategy: The vice president, Administrative Affairs, should implement the program and supervise contract operations. The vendor should be requested to utilize present staff in establishing the new food service. Implementation should be complete by the start of the 1976-77 academic year.

80. Close the north dining hall.

At present, the north dining hall is only utilized at 35% of its capacity. The other two facilities achieve rates of approximately 50% each.

Proposed Approach: All three halls are centrally located. Therefore, the north facility could be closed to increase the utilization of the other two. This would provide an annual saving of $291,000 in operating costs including salaries. This is in addition to the saving claimed in the previous recommendation. No staff increases would be needed at the other halls.

Implementation Strategy: The president should authorize the vice president, Student Affairs, to make the necessary changes. Implementation should not require more than three months.

81. Liquidate a major portion of the excess real estate owned by the college.

Slippery Rock owns two tracts of land which will not be needed for expansions within the foreseeable future. Space is still available on the main campus and the excess property is not being put to optimum use.

Proposed Approach: The land should be appraised and offered for sale. The potential income of $245,000 has been claimed in the Physical Resources section.

Implementation Strategy: A plan should be developed which will indicate logical areas for expansion by the college. All land identified as excess should then be made available for sale through the Bureau of Real Estate.

WEST CHESTER STATE COLLEGE

This school is the largest of the state colleges, the second largest in the system. Its student body encompassed a full-time equivalent enrollment of 8,166 for 1974-75. The students are accommodated on two campuses — North and South — with the North campus containing most of the school's physical plant. The instructional faculty numbers 436 in a total staff of 1,015. The college expended $23.1-million for fiscal 1975.

RECOMMENDATIONS

82. Consolidate the college's six schools into three.

Currently, the vice president, Academic Affairs, has 13 people reporting to him, excluding his own associate and assistant. This is far too many for effective management. Under another recommendation, this number would be reduced by two, but a further reduction is called for. Six of the individuals reporting to this vice president are deans. They head schools of widely varying size: student populations of 513 to 1,333; faculties ranging from 53 to 106; and undergraduate programs numbering two to 15.

Proposed Approach: The existing six schools should be consolidated into the following three: Education; Arts and Letters; and Social and Natural Sciences. Education would encompass the existing Education, Health and Physical Education Schools. Arts and Letters would be expanded to include Music. Current Science and Mathematics and Social and Behavioral Sciences Schools would become Social and Natural Sciences.

This consolidation would produce schools of more equal size and would reduce the number of persons reporting to the vice president, Academic Affairs, by three. This will allow him to be more responsive to each individual and will improve the effectiveness of his office.

Annual savings in salaries for three fewer deans and their secretaries would total approximately $146,000. A further saving in released time for those faculty serving as associate and assistant deans will also be realized. The amount of this saving is conservatively estimated at about $25,000 annually. The total annual saving would be approximately $163,000.

Implementation Strategy: The deans of the Schools of Education and of Social and Behavioral Sciences are retiring at the end of the present academic year. The president should appoint acting deans to fill these two positions while the reorganization is taking place. At the present time, a Committee on Organization is functioning. The president should work with this committee on the consolidation. Presuming that this change is authorized by the president, it should be accomplished in one academic year.

Since this is basically a third-level management change, there should be no major effect on departmental structures or course offerings.

83. Establish the position of vice president, Fiscal Affairs.

At the present time, there is no central office for coordinating preparation or control of the budget. The directors of Business Affairs and Facilities report directly to the president. The directors of Research and Media Services report to the vice president, Academic Affairs. Although these four directors are vitally concerned with college revenues, they have no commonality for reporting or planning. Their input to the budget planning process reaches the president from three different directions and is merged with the advisory input of the Faculty Budget Committee. This means that the president must rely on several sources of information and become personally involved in the budget process.

Proposed Approach: Efficient budget preparation and control require creation of a vice president, Fiscal Affairs. The directors of Business Affairs, Facilities, Media Services and Research should report to Fiscal Affairs. This would bring together under one office the divisions responsible for major expenditures and revenues.

The new vice president would be responsible for the budget and overall fiscal management. His duties would include development of a management information system and coordination of revenue-related activities with outside communities and institutions.

The primary benefit of this organizational change would be more effective fiscal operation of the college. No cash benefits are claimed. However, it is anticipated that improved fiscal management will result in a more judicious expenditure of funds, leading to some savings. The cost of this change would be in salaries for the vice president and his secretary, totaling $47,100 annually.

Implementation Strategy: The president must realign reporting procedures for the four directors involved and define the responsibility and authority of the newly created vice president. Execution of this organizational change should cause little or no work disruption. Therefore, it should not require a phasing-in period.

84. Substitute the position of resident director for that of housemother in residence halls.

At present, 16 people are employed in the civil service classification of housemother. Of these, eight function as resident directors and eight as night supervisors. Because of their civil service status, these positions are subject to several requirements which are difficult to determine and enforce. For example, housemothers are required to be available on a 24-hour basis, making work-week definitions a problem.

Proposed Approach: Replace the civil service classification of housemother with a noncivil service position of resident director. The proposed job would carry a maximum tenure of three years and would be designed for graduate students in institutional management and counseling. As such, the position would carry a stipend plus room and board. There would be no fringe benefits or tuition refunds. Implementation would provide a constant influx of young professionals to maintain college-student relationships at a high level. The annual saving would be approximately $29,500 based on current expenditures. Bloomsburg State College has already initiated a similar program.

Implementation Strategy: The college president and the vice president, Student Affairs, should redefine the resident director's function and abolish the housemother classification. Residence hall administration should be reorganized based on the new requirements. Implementation should take one academic year.

STATE-RELATED UNIVERSITIES

There are four institutions with state-related status: Pennsylvania State University, University of Pittsburgh, Lincoln University and Temple University. Although they receive a substantial portion of their budget funding from

the state, these institutions operate in essentially an autonomous fashion providing their own instructional, research, management and administrative activities independent of each other and the Department of Education. Total enrollment in the 1974-75 academic year was approximately 120,000. Operating budgets totaled about $575-million with some $205-million provided by the state for fiscal 1975.

RECOMMENDATIONS

85. Improve class utilization ratios at state-related universities.

There is no formal program at the state-related universities to evaluate class enrollments in terms of acceptable sizes. As a result, scheduled courses with low enrollments are seldom dropped and departments do not have a base from which to determine if certain offerings are economically feasible.

Proposed Approach: The university comptroller should furnish department chairmen with the means of evaluating operating costs for classes and laboratories. Using these data, the departments should develop a minimum and maximum class size for each scheduled course. At the beginning of each semester, enrollments should be compared to the established bases to determine the percentage of utilization. Decisions can then be made in regard to dropping certain courses. An overall utilization chart should be developed by each department and a rate of more than 90% set as a goal. Achieving this utilization objective would provide an annual saving for the state-related universities estimated at $11.9-million.

Implementation Strategy: The department chairmen and the comptroller at each university should develop a program to establish minimum and maximum class sizes and related costs.

86. Place senatorial scholarships on a financial need or academic merit basis.

The senatorial scholarship program allows the Governor, lieutenant governor and each state senator to grant six four-year scholarships per year at state-related institutions. This quota can be subdivided into as many as 24 one-year awards. Grants are not always based on need.

Proposed Approach: To reduce the political nature of this program, awards should be based on financial need or academic merit effective with the 1976-77 academic year. Applicants should be processed through the financial needs analysis program provided by the Pennsylvania Higher Education Assistance Agency (PHEAA) unless the award is being made on the basis of academic achievement. Approved candidates would be grouped by senatorial district and a list provided to the incumbent for selection. If a senator has more grants than applicants, reallocations should be made by PHEAA on a population distribution basis. This would ensure that only students in actual need or deserving of recognition for their academic achievements would benefit from the program.

Implementation Strategy: The Pennsylvania Senate should adopt a resolution setting forth the expanded requirements. All applications should be reviewed by PHEAA and current recipients should complete PHEAA financial statements. Administration of the program should be assumed by PHEAA using existing staff.

LINCOLN UNIVERSITY

Lincoln is a small, predominately black liberal arts college. It had an enrollment of 1,100 students for 1974-75. The school follows an "open admissions" policy which has a significant financial impact on operations. Most students require substantial financial aid and the school must also provide remedial preparation to many, resulting in a low faculty/student ratio. A faculty complement of 85 is maintained, but this number is being reduced for financial reasons. Lincoln has been unable to generate sufficient funds from student tuition and fees, alumni contributions and private sources to adequately augment its appropriation from the state. Continued existence will depend primarily on increased external support. Expenditures for fiscal 1975 were about $8-million including a state appropriation of $2.6-million.

RECOMMENDATIONS

87. Appoint a committee to perform an in-depth study of the special problems at Lincoln.

Considered to be one of the leading black colleges at one time, Lincoln is no longer attractive to the better prepared black students. Its role has changed to that of educating persons who are poorly equipped to enter college. These students require greater academic and financial support, straining Lincoln's resources to their limit. Although becoming a state-related institution has helped to stabilize the school's financial condition to a degree, current revenues are far from adequate. The prevailing shortage of funds is reflected in low faculty compensation, deferred maintenance expenditures and significantly reduced academic resources.

The open admissions policy has resulted in a high enrollment of disadvantaged students. The majority require remedial preparation, substantial financial aid and closer supervision than normally required in an undergraduate program. One of the problems is that federal financial aid is restricted to eight semesters. Thus, students are required

to develop background prerequisites and complete degree work within four years. The result is a student attrition rate of 50%.

Proposed Approach: Open admissions is a relatively new concept in higher education. Before any meaningful management suggestions can be made for strengthening Lincoln's financial base, the special problems of disadvantaged students must be studied, defined and quantified. Faculty/student ratios, counseling needs, financial assistance, academic facilities and time frames are just a few of the areas which must be examined in depth. Therefore, a special committee should be established to study the special problems at Lincoln. Alternatives available to relieve current financial pressures might include:

- Consolidate with another state-related university. Lincoln would become a branch operation and the expense of the upper division program could be eliminated. These funds could be used to expand the remedial programs.
- Become a lower division school and establish a feeder relationship with other state-related universities and private institutions. Essentially the same financial reasoning applies, but this approach would maintain the school's identity.
- Merge the university with Cheyney State College and close the plant or develop an alternate use. This approach would be feasible since Cheyney's enrollment also includes a large number of disadvantaged students and the 1968 building program has made capacity available to absorb Lincoln's enrollment.
- Establish a plan to give Lincoln full parity with other state-related institutions. A program of funding similar to that provided by the federal government could be initiated by the state. Under this approach, Lincoln could retain its traditional structure.

Implementation Strategy: Committee members should be selected jointly by Lincoln University and the Department of Education. Members should have sufficient expertise to evaluate Lincoln's problems. The resulting study should be completed by the end of fiscal 1976.

88. Utilize West Chester State College's computer facility instead of purchasing a dedicated time-sharing system.

To effectively maintain student and administrative files and prepare students studying data processing techniques, a university needs access to a modern time-sharing computer. The system at Lincoln is inadequate to meet its administrative and instructional needs. The school has been considering the purchase of upgraded equipment.

Proposed Approach: West Chester State College is installing a new computer which will only be utilized to 50% of its capacity. Therefore, Lincoln should negotiate an agreement with West Chester to purchase time on this equipment rather than purchasing its own. No savings are claimed.

Implementation Strategy: The director, Computer Facilities, should prepare a detailed comparison of the costs and other data related to the proposed equipment purchase and utilization of the West Chester facility.

PENNSYLVANIA STATE UNIVERSITY

Penn State is composed of a main campus and 16 branches offering two-year associate degree programs and the first two years of baccalaureate work. Behrend College provides some four-year programs and Capitol Campus at Middletown supplies the third and fourth years of baccalaureate degree work. Graduate programs are available at King of Prussia Center, Behrend College and Capitol Campus. The college at the Hershey Medical Center grants M.D. degrees and the M.S. and Ph.D. in some of the sciences. Enrollment totals 64,721 and the budget for fiscal 1975 was in excess of $285-million. Approximately $100-million is funded by the state.

RECOMMENDATIONS

89. Discontinue the Fogelsville campus and do not build the new experimental facility.

Fogelsville is one of 14 prominent educational institutions operating in the Allentown area. Its enrollment appears to be stabilizing around 150 and operating expenses per student are the highest of all Penn State branches. A separate facility in Allentown is used for continuing education. The school's Fogelsville expansion program in 1971 met with such heavy opposition that the university has decided to make Fogelsville an experimental campus. The change in mission would require construction of a new facility at a cost of approximately $1.99-million. As an experimental center, Fogelsville would test new ideas in higher education and conduct instructional laboratories to evaluate proposed services related to continuing education. This mission is considered of dubious value by the National University Extension Association.

Proposed Approach: Because of the concentration of other educational facilities and the high per-student cost of this branch, the Fogelsville campus should be closed. The continuing education program at Allentown should be retained and efforts to develop cooperative programs with other institutions increased. Implementation would result in a one-time saving of $1.99-million of which

$1.45-million would be state and $540,000 federal. There would be an annual benefit of $426,000 in operating costs.

Implementation Strategy: The General Assembly should withdraw its appropriation for the experimental program and direct the president of Penn State to halt the project. Where practical, administrative personnel and full-time faculty at Fogelsville should be reassigned to the Allentown continuing education program. Implementation should be in progress by fall, 1976.

90. Integrate all accounting functions.

There are 276 people employed in various accounting activities at University Park. Of these, 180 are on the comptroller's staff, 56 are assigned to decentralized activity centers and an estimated 40 personnel work in the academic colleges. This separation of accounting activities results in duplications of supervisory personnel and redundant information systems.

Proposed Approach: The comptroller has been working with Management Services to develop a computerized accounting system which will permit centralization of all current activities. They are in the process of installing the system on a pilot basis in the College of Arts and Architecture. If the program is sound and implemented effectively, existing staff could be reduced by 25 positions — 15 in the comptroller's area, five in the decentralized activity centers and five in the academic colleges. Annual savings are estimated at $250,000.

Implementation Strategy: Management Services should continue its analysis of the systems needs of each organizational unit. As they become operational, the various phases of the centralized accounting program should be implemented. The total procedure should be in operation within two years.

91. Reduce the cash flow cycle in the Accounts Receivable Section of the Hershey Medical Center to five days.

There are three categories of service billed to patients at the center: hospital room and board, professional fees and outpatient care. Patient charges are collected at various points throughout the hospital and fed into the computerized patient account file on a daily basis. However, a lack of control in regard to this collection procedure causes inaccurate and untimely reporting of charges. The result is a verification cycle which averages 15 days before an invoice can be mailed to the patient.

Proposed Approach: The patient account system should be modified to improve its overall design. Closer follow-up procedures should be initiated to ensure patient charges are accurate and introduced into the computer files promptly. The current policy of five days to gather information and 10 to edit and prepare data should be revised. Two days should be allowed for information gathering and three for preparation. A reduction of 10 days in this cycle would provide an annual income of $36,000, based on 6% investment of $600,000.

Implementation Strategy: The new billing cycle should be instituted immediately under the guidance of the hospital director.

92. Reduce the staff involved in patient invoicing and follow-up at the Hershey Medical Center.

At present, 47 employees are involved in patient invoicing and account follow-up. This excessive number of people is required because of inadequate controls in regard to collecting and recording patient charges and poor supervisory discipline in the area of identifying and correcting clerical errors. The result is high staffing to process and verify invoices prior to mailing.

Proposed Approach: The previous recommendation will streamline the invoicing procedure and correct the problems outlined above. Based on the new procedure, the manager, Patient Accounts, estimates that current staff levels can be reduced by 15 positions. The annual saving would amount to $156,000.

Implementation Strategy: Under the guidance of the hospital's director and using procedures to be established by the deputy comptroller, the manager, Patient Accounts, should implement controls to reduce clerical errors and duplicate activities.

93. Reduce the per-mile operating cost for university vehicles to $0.11.

The fleet at Penn State consists of 260 passenger cars and 85 buses, vans, trucks and the like. Based on operational statements of income and expense for the 10 months ending April 1975, the per-mile cost was $0.142 plus $0.028 for administrative expenditures. No amounts were computed for utilities or physical facilities. The average per-mile cost for industrial fleets is $0.107.

Proposed Approach: The following steps should be taken to lower university costs to $0.11 per mile:

- Reduce the number of vehicles in the fleet to improve utilization rates.
- Standardize car purchases, concentrating on compacts rather than station wagons.
- Evaluate the necessity of vehicle requests.
- Increase the total mileage per car before authorizing replacement.

- Conduct a study every two years on the economics of buying versus leasing.
- Reduce or eliminate the driver service function.

Total fleet mileage is 6-million miles annually. Reducing the operating cost from $0.142 to $0.11 per mile would result in an annual saving of $192,000. Eliminating three of the five positions assigned to driver services would provide another $26,000 in annual savings.

Implementation Strategy: The senior vice president, Finance and Operations, should authorize the necessary procedural changes. A study should be made of the driver service activities to evaluate the necessity for this function and optimum staffing if it is retained.

94. Reduce staff aircraft complement.

Penn State maintains two aircraft for its staff. Personnel with a ranking of dean or above may schedule use without charge. Other employees may utilize the planes with department approval, but are charged a flat fee of $100 per hour. Flight schedules and usage are not sufficient to require two aircraft.

Proposed Approach: Considering the availability of commercial and charter flights, there is no need for the university to maintain two planes and crews. The current policy should be revised so that only vice presidents and above are authorized to use planes without chargeback and one of the planes should be sold. The one-time income would be $83,300 while the annual operating saving would total $44,100.

Implementation Strategy: Upon approval from the president, the senior vice president, Finance and Operations, should issue a directive to sell one plane and revise the chargeback policy.

95. Increase the number of university copy centers to 12.

The university now operates 238 photocopy machines at an annual cost of $705,500. This equipment includes offset machines in six copy centers. The per-copy cost of these machines is $0.009 less than that of individual equipment maintained in various locations. The centers operate on a four-hour service maximum and studies show that there is sufficient volume to justify expanding the number of centers to 12.

Proposed Approach: The university should increase its capability to 12 centers and eliminate as many individual machines as possible. A foreman/coordinator should be added to the staff to oversee this expanded operation. The total gross savings from the 12 centers is projected at $391,000. Subtracting additional salary and equipment costs, the net annual saving would amount to $219,000.

Implementation Strategy: The senior vice president, Finance and Operations, should authorize the necessary expenditures over the next fiscal year.

96. Augment maintenance forces at the Hershey Medical Center to eliminate the need for service contracts.

The medical center began using service contracts in 1970 as an expedient means to maintain specific machinery and equipment. Since that time, contract costs have increased to an annual level of $285,000. Management at the center has concluded that adding specific skills to its existing maintenance work force would permit necessary services to be carried out more economically.

Proposed Approach: All contractors should be asked to submit an itemized list of the services supplied, frequency and costs involved. These service requirements should be evaluated with assistance from engineering personnel at University Park and a procedure designed to provide complete in-house maintenance. An aggressive recruitment program should be pursued to augment the existing work force with necessary skills and expertise. Additional training should also be provided to current staff. Internal maintenance of all elevators, temperature controls, heating, air conditioning, refrigeration and ventilating equipment should produce a net annual saving of $110,000.

Implementation Strategy: The manager, Maintenance and Operations, should request required engineering assistance from the assistant vice president, Physical Plant Department. The transfer of maintenance activities should start on a gradual basis within six months and should be complete within a year.

TEMPLE UNIVERSITY

Temple is one of four state-related educational institutions. In addition to the traditional schools and colleges, Temple University offers programs leading to two-year associate degrees and professional degrees in law, medicine, dentistry, pharmacy and allied health professions. The student enrollment is more than 30,000 and faculty numbers 3,000. The university also owns and operates its own hospital. The fiscal 1975 operating budget was $130-million, excluding the hospital. Of this, almost $56.8-million was provided by the state.

RECOMMENDATIONS

97. Eliminate the position of vice president, Personnel Services.

The present vice president position is excessive for the functions performed. Responsibilities should be assigned

to a director, Personnel, who would report to the associate vice president, Financial Affairs.

Proposed Approach: The restructuring would replace a vice president with a director and permit reclassification of four directors to an administrative assistant level. The annual saving to be realized would amount to $67,000. Having the proposed director report to the associate vice president, Financial Affairs, would combine personnel and payroll activities under a single administrator.

Implementation Strategy: A committee encompassing the president, vice president, Financial Affairs, and incumbent vice president, Personnel Services, should meet to develop the details of this organization change. It would prepare new job descriptions and an authorization for the president's signature. Implementation should require three months.

98. Establish an Office of Affirmative Action for the university.

There are currently four separate units performing affirmative action activities in the university. No coordination of effort is apparent among these offices.

Proposed Approach: A single Office of Affirmative Action should be established for the entire university. It would report to the president and would have coordinating responsibilities to the director, Personnel, and the provost. Elimination of one director and one clerk would result in an annual saving of $35,000.

Implementation Strategy: A directive should be issued by the president to accomplish this change. The consolidation should be complete within two months.

99. Establish a University Consulting Services Corporation at Temple.

University faculty members are doing private consulting work. Although not officially permissible, some personnel utilize school facilities and support staff in connection with their projects. The university receives no revenue from such activities.

Proposed Approach: A committee should be established to study corporations formed by other universities to offer consulting services and staff expertise on an official basis. Since the employees could then use all research and support facilities of the university, the school would be able, through the corporation, to retain a percentage of the consulting fee. If 25% of such charges were retained, the university would realize an annual income of approximately $500,000 based on estimates of current university staff activities.

Implementation Strategy: A proposal outlining the organizational structure and purposes of the corporation should be submitted to the university trustees for approval. All employees should be informed regarding the activities of the corporation. Directors should include all of the deans as well as certain key administrative personnel of the university.

100. Eliminate the tuition refund for faculty and staff dependents.

The policy of granting tuition refunds to faculty and staff dependents was originally initiated as a recruitment tool when salaries were low and personnel difficult to obtain. As this condition no longer exists, the tuition refund policy constitutes an unnecessary expense.

Proposed Approach: The refund program should be phased out over a four-year period to allow current students to complete their educations. Based on fiscal 1975 expenditures, the annual income to be realized would amount to $560,000. This revenue could be used to reduce state funding requirements.

Implementation Strategy: The Board of Trustees should authorize the elimination of this financial aid over a four-year period.

101. Increase dormitory fees to cover the operating expenses.

Residence halls operated with a deficit of approximately $250,000 in fiscal 1975. This deficit is expected to decrease to $172,000 in fiscal 1976 because of a slight increase in charges.

Proposed Approach: Rates should be established at a level which will recover the actual cost of dormitory accommodations. An additional charge of $160 for fiscal 1977 would provide additional annual revenue of $263,000. Implementation could reduce the amount of state support required by the university.

Implementation Strategy: This change can be implemented by the budgetary committee with the concurrence of the Board of Trustees.

102. Adjust residence hall board fees to recover operating costs.

The university is subsidizing the food service operation in the student residence halls at an annual cost of $114,000.

Proposed Approach: Charges to resident students should be increased by approximately $70 to eliminate the current deficit. The additional income will amount to $114,000 per year. This revenue could permit a reduction in state funding requirements.

Implementation Strategy: This change can be implemented by the budgetary committee with concurrence of the Board of Trustees.

103. Increase university parking fees.

Existing fees are inadequate to recover operating expenses. The parking service will have a deficit projected at $183,000 for fiscal 1976.

Proposed Approach: Charges should be increased to $1 per day and $25 per month for fiscal 1977. A small increase is already scheduled for fiscal 1976. Implementation would provide an additional revenue of $262,000. Funds could result in a decrease in state expenditures to support the university.

Implementation Strategy: This change can be implemented by the budgetary committee with the concurrence of the president.

104. Eliminate the university subsidy for food services at the faculty club.

The university subsidized this operation at an annual cost of $150,000.

Proposed Approach: The university is in the process of withdrawing its financial support of the food service operation. Expenses can be met by increasing either the membership fees or the food prices.

Implementation Strategy: The budgetary committee intends to eliminate the subsidy over a two-year period. This will permit an adequate trial of the proposed financial alternatives.

105. Establish a computerized inventory and asset control system, excluding the hospital.

There is no uniform program for inventory or asset control now in effect at the university. The absence of required data makes effective management of resources difficult.

Proposed Approach: A computerized inventory and asset control system should be established for all university resources except those assigned to the hospital. A start has been made in the maintenance area. This should be completed and extended to other university operations. The cost of implementation will be more than offset by potential savings. A conservative savings estimate of 10% through better asset management activities would amount to an annual benefit of $1-million at current expenditure levels of $10-million.

Implementation Strategy: This proposed program would be the responsibility of the vice president, Financial Affairs. The first objective would be completion of the maintenance program. A plan should be developed to include other appropriate areas in a logical sequence. It might be possible to adapt existing software programs to the university's requirements and this possibility should be investigated. Overall implementation will probably require three years.

106. Establish a central receiving facility for Temple University.

The university purchased approximately $18-million in equipment and supplies in fiscal 1974. Deliveries are made to various addresses rather than a central receiving facility. A conservative estimate of the losses resulting from this practice would be 1% or $180,000. The cost of tracing unforwarded delivery receipts is approximately $32,000 per year.

Proposed Approach: A central receiving facility should be established to receive and distribute all goods shipped to the university. This will ensure prompt receipt of materials and provide a check on merchandise damaged in transit. The annual cost of implementation would be $44,500. The savings should amount to approximately $151,000 per year for a net benefit of $106,500.

Implementation Strategy: Establishment of a central facility would be a responsibility of the vice president, Financial Affairs. He should prepare an implementation plan and timetable for the president's approval. University staff should be fully informed regarding procedural changes. Implementation should require approximately 10 months.

107. Consolidate the purchasing functions for the main campus and the health sciences center.

There are two separate purchasing organizations in the university, each with a full staff. Although some joint purchases are made, these units do not normally coordinate their activities. The duplication of staff and activities places an unnecessary financial burden on the university.

Proposed Approach: A single purchasing office should be established and excess positions eliminated. The annual saving would amount to $127,000 by eliminating the positions of director, four buyers and five clerks. The proposed unit would be headed by a director and two associate directors — one for the health sciences center and one for the university. The office would report to the associate vice president, University Services.

Implementation Strategy: With concurrence from the university president, the vice president, Financial Affairs, should approve the necessary organizational changes. A study should be made to determine optimum staffing for the proposed unit. Implementation should be complete within a period of six months.

UNIVERSITY OF PITTSBURGH

A state-related school, the University of Pittsburgh offers graduate and undergraduate degrees in the arts and sciences, education, engineering and various health related

fields. Graduate courses are available in several special areas such as law, library and information sciences and business. Enrollment for 1974-75 consisted of 20,083 full-time and 13,269 part-time students. Of these, 23,353 were undergraduates. The university received approximately one-third of its $150-million operating budget for fiscal 1975 from the state. As a legally private institution, the school continues to attract substantial private and federal support. It recently began a seven-year $35-million capital fund drive.

RECOMMENDATIONS

108. Merge Clarion's Venango Campus with the Titusville Campus of the University of Pittsburgh.

The two campuses are about 12 miles apart and each is considered important by its respective community. With the low enrollments, neither facility is able to operate economically. However, there would be much opposition in regard to closing them. The close proximity of the two campuses and their similar financial problems, resulting from low enrollments , suggests the need for a single administration for both facilities.

Proposed Approach: A study should be made to determine the best method for merging the two operations. The basic decision areas would include how to administer the two campuses as a single entity and what programs should be offered. Two alternatives would be either operation as a Crawford/Venango community college or as a branch of the University of Pittsburgh. In either case, bussing between campuses would eliminate any need to duplicate courses. Each campus should offer noncompetitive degree programs in selected areas based on the educational needs of the area. The long-term goal is optimum facility utilization. Implementation would provide an annual saving of $200,000 through reduced operating and salary expenditures.

Implementation Strategy: A task force comprised of officials from Pittsburgh, Clarion, the Regional Higher Education Planning Council and local community leaders should be convened by the secretary, Department of Education, to study all available options for merging these campuses.

109. Establish a University Consulting Services Corporation at this institution.

Both faculty members and university managers do a considerable amount of private consulting work. Although not officially permissible, some personnel utilize school research facilities and support staff in connection with their projects. The university receives no revenue from such activities.

Proposed Approach: A committee should be established to study corporations formed by other universities to offer consulting services and staff expertise on an official basis. Since the employee could then use all research and support facilities of the university, the school would be able, through the corporation, to retain a percentage of the consulting fee. If 25% of such charges were retained, the university would realize an annual income of $300,000 based on estimates of current staff activities and revenues.

Implementation Strategy: A proposal outlining the organizational structure and purposes of the corporation should be submitted to the university trustees for approval. If established, the corporation's activities should be described to all employees with a letter from the chancellor. Corporation directors should include all deans and certain key administrative personnel of the university.

110. Establish a University Health Services Corporation to provide the School of Medicine with faculty services.

Operating costs at the School of Medicine will produce a deficit estimated at $800,000 in fiscal 1976. Since an increase in the state appropriation to the school has been refused, it must find a way to reduce expenditures or improve revenues. The major expenditure item is salaries, including compensation for 280 full-time and 500 part-time physicians/ faculty members. The school is affiliated with the University Health Center, a corporation of five area hospitals. The university's medical graduates are used as residents by the hospitals. About 20% of their salaries are paid by the school to compensate them for teaching activities in their second and third years.

Proposed Approach: A committee should be established to determine the feasibility of using a nonprofit corporation to provide required faculty services to the school. This type of approach provides a single collection point for all fees related to professional services rendered by the member doctors. The corporation would administer all funds, define salary ranges, calculate reimbursement formulas, distribute remuneration and provide benefit programs. The university would be relieved of these activities, including faculty tenure and would merely contract with the corporation for services. The compensation formula would reward those doing more patient care, particularly the residents whose part-time instruction activities would not be charged to the university. Implementation could provide an annual saving of $800,000, if part-time resident salaries are eliminated.

Implementation Strategy: The vice chancellor, Health Services, should be authorized to establish a committee to determine the feasibility of the proposed approach. If practical, a detailed plan of action should be developed by the group.

111. Restructure the Physical Plant Department.

The Physical Plant Department is responsible for both maintenance and construction acitivities for the university. The director reports to the vice chancellor, Business and Finance, and all work is processed through a work planning center. The center employs architects, engineers, draftsmen and maintenance personnel. This comingling of maintenance functions with major construction activities has resulted in poor administrative control and a lack of attention to school maintenance needs.

Proposed Approach: All maintenance activities should be combined into a single, separate Maintenance Department. Construction responsibilities of the Physical Plant Department should be incorporated with those of the Department of Space Planning Allocation and Utilization. The resulting Department of Building Development and Utilization should report to the vice chancellor, Planning and Budget. It would assume complete responsibility for all phases of construction and alteration work to provide improved control of university building programs. Activities of the work planning center should be analyzed to eliminate unnecessary functions and reduce costs $140,000. Implementation should permit a staff reduction of three positions for an additional annual saving of $50,000.

Implementation Strategy: The vice chancellor, Planning and Budget, and the vice chancellor, Business and Finance, should separate all maintenance activities into a new department. Remaining functions should be reassigned as proposed and a program of management objectives established to reduce administrative and maintenance costs in the two departments. Implementation should be complete within three months.

112. Centralize procurement responsibilities and authority within the Purchasing Department.

There are more than 600 locations within the university which requisition items through the Purchasing Department. However, a lack of understanding and cooperation has made it difficult for the department to implement uniform procedures or more efficient administrative methods. Some 50,000 orders are processed with annual expenditures of between $18- to $20-million. Criteria to measure purchasing performance have not been established nor is there a formal cost reduction program. It is not clear how much authority rests with the Purchasing Department at present.

Proposed Approach: A universitywide program should be established to strengthen the purchasing function and centralize responsibilities within the Purchasing Department. One person in each agency should be responsible for processing and forwarding all requisitions to Purchasing. This individual would also ensure that sufficient funds were available in the department budget for proposed purchases. A code should be established to identify annual volumes of repeat items. All vendor negotiations should be handled by the Purchasing Department.

The department should be restructured to increase its efficiency. At present, the staff consists of a director, a purchasing agent, 10 buyers and 12 secretary/clerks. The buyers should be organized into units with a secretary/clerk assigned to each group. Implementation of this change, use of coding systems and increased utilization of standing orders for basic supplies would permit a staff reduction of one buyer and one secretary/clerk. The annual saving would amount to $15,000. Instituting a formal cost reduction program should permit a saving of 2% on volume purchases, based on comparable industry experience. The annual benefit to be achieved would amount to $40,000.

Implementation Strategy: The vice chancellor, Business and Finance, should authorize the director to restructure the Purchasing Department and implement required procedural changes. He should also instruct other departments to select a representative to deal with the Purchasing Department and he should publish a revised statement of purchasing policies and principles.

113. Establish a steering committee to monitor the university's computer services.

The university now has two computer centers — one for administrative needs and one for academic work. Despite the difference in output, a review indicates that better coordination is required between the centers in regard to equipment utilization, software, program languages and university EDP requirements. Problems include: unused equipment in one area which could be utilized by the other center; manual preparation of reports because of an inadequate data base; and a need for improved program effectiveness and computer utilization.

Proposed Approach: The university spends approximately $3-million annually on data processing. A steering committee should be established to coordinate all EDP activities in order to ensure optimum equipment utilization and program coordination. Responsibilities would include the following:

- Evaluate all hardware to determine optimum use.
- Examine available software to identify opportunities for intradepartment programming activities.
- Establish priorities for new programming, identifying currently unreliable programs in order to reduce manual work loads.

- Interface with the Pittsburgh Council for Higher Education in its efforts to establish methods to meet computer needs of educational institutions in the Pittsburgh area.
- Promote a better working relationship between the academic and administrative computer areas with an eventual goal of centralizing EDP facilities.

A review of manual activities by university employees indicates that some 15 positions in various areas — the Institutional Research Department, the Plant Fund Department, the Registrar's Office and other departments — could be eliminated by computerization. The total annual saving would amount to $120,000. Improved equipment utilization should increase this figure significantly.

Implementation Strategy: The chancellor should establish the proposed steering committee. It should report to the chancellor and the vice chancellor, Planning and Budget. The vice chancellor, Business and Finance, should be represented on the committee.

114. Reduce copy machine expenditures by 25%.

The university spends over $500,000 annually for photocopies. Accurate data are not available regarding the volume or cost of copies produced on individual machines and no guidelines have been established to ensure optimum utilization. In addition, machines using bond paper rather than chemically coated stock are utilized in low-volume areas, further increasing the cost.

Proposed Approach: The university should institute a comprehensive program to reduce overall photocopying costs. A review should be made of all machines now in use, with identification of any special requirements. Suppliers should be invited to submit proposals based on established needs and a procedure should be initiated to formalize acquisitions of new equipment. Based on a partial analysis of current usage, a minimum saving of 25% should be attainable. The annual amount to be realized would be $125,000.

Implementation Strategy: Responsibility for implementing a universitywide program should be vested with the vice chancellor, Business and Finance. Development activities should be assigned to the Purchasing Department and assistance obtained from Penn State which has completed a detailed study of its copy requirements.

115. Reduce the storehouse inventory in the Physical Plant Department.

The storehouse which serves this department stocks plumbing and electrical supplies with a total value of $160,000. The turnover rate is 1.5 times per year. While this is adequate for a maintenance operation, the quantities on hand are unnecessarily high.

Proposed Approach: Purchase arrangements should be made with vendors to stock those items which the department needs on a regular basis. Daily deliveries are available. Such an agreement would reduce the inventory investment by a one-time amount of $100,000.

Implementation Strategy: The vice chancellor, Business and Finance, should instruct the Physical Plant and Purchasing Departments to establish the required vendor stocking arrangements.

116. Reduce mail distribution on the Oakland campus to one delivery daily.

The annual budget for the university's Mail Department is $135,000. Approximately 20 people and three vehicles are used to collect, process and deliver interdepartmental correspondence and some 125,000 pieces of outside mail on the Oakland campus daily. Collections and deliveries are made twice daily.

Proposed Approach: At the current volume of mail, one delivery daily would be sufficient for the Oakland campus. This would permit a reduction of three staff positions and elimination of a truck for annual savings of $20,000.

Implementation Strategy: The vice chancellor, Business and Finance, should authorize the elimination of one mail delivery per day. A notice should be prepared regarding the use of new zip codes. Since the upper and lower campus each have different numbers, using them will ensure that the bulk of the mail will be presorted by the post office before delivery.

117. Improve dormitory security.

Students consistently utilize fire doors and garage entrances to gain access to the tower dormitories. This breach of security provides ready entrance to residential areas for unauthorized persons. The student press has been emphasizing the need for improved dormitory security. At present, residence halls account for 8.4 full-time equivalent security positions.

Proposed Approach: To protect the residence areas from unauthorized visitors, an electronic surveillance system should be installed for a one-time cost of $75,000. It would consist of an automatic vehicle identification device at the garage door with a surveillance camera and an alarm. Cameras and alarms would also be installed at other access points and, if permitted, fire doors would be equipped with electric door latches. There would be a central monitoring system and card readers to permit entrance to the cafeteria and the dormitories through two doors. The annual saving in security expenditures, based on present costs, would amount to $90,000.

In addition, students should be assessed a $50 residence damage fee to be paid in advance. Those involved in

vandalism would forfeit their $50 and be reassessed for the following semester. The funds — estimated at $175,000 per year — would be held in an interest-bearing account until returned to or forfeited by the students. The university should realize an annual income of $7,000 from its share of the interest.

Implementation Strategy: The director, Housing, should hold meetings with student government representatives to review any proposed security system and the required degree of student participation. It should be emphasized that security devices based on minimum participation will restrict their freedom to move in and out of the dormitory areas. Any viable alternatives involving greater student participation can be evaluated and discussed.

118. Make the University Press self-supporting.

For 38 years, Pittsburgh has operated a University Press to publish books of literary excellence. During the past year, 27 books were printed and 391 manuscripts rejected. Since market appeal is not a major criteria for selection, this operation showed a deficit of $218,000 for fiscal 1974. Similar losses of are expected for fiscal 1975.

Proposed Approach: In order to reduce University Press losses, a budget cut of approximately $100,000 has been proposed. This, however, is not expected to lower administrative expenses since few, if any, personnel reductions are planned. A more effective approach would be an active program of publication concentrating on books with good commercial prospects. To recover printing costs, the University Press must sell 2,000 copies of its books annually. Therefore, publishing two or three books yearly with sales potential of 25,000 to 50,000 copies each could increase the annual income by approximately $110,000. Implementation could eventually put the operation on a self-sustaining basis.

Implementation Strategy: The chancellor should authorize the director of the University Press to initiate a program to actively seek marketable manuscripts. The assistance of the vice chancellor, Public Affairs, should be enlisted in this effort.

119. Provide in-house computerized student accounts receivable and billing services for the university's health program.

Fees for the student health insurance program are collected by the university. Several years ago, the accounts receivable and billing systems were turned over to a computer service bureau because of a lack of in-house capability. The service costs $20,000 annually.

Proposed Approach: The university computer center now has the computer time and capability to undertake the program. At an estimated cost of $10,000, implementation would provide an annual saving of $10,000. The software is readily adaptable to the university's equipment so no major conversion costs are anticipated.

Implementation Strategy: The vice chancellor, Business and Finance, should authorize the director of the computer center to terminate the existing contract and implement the transfer.

120. Implement a program to reduce lighting costs by at least 20%

At present, the university is incurring excessive costs in relation to its lighting needs. A survey is needed of the school's overall requirements and optimum means for meeting them. However, maintenance personnel do not have the time to conduct such a study.

Proposed Approach: Major lamp suppliers offer the type of study needed at no charge to their customers. At an annual expenditure of $60,000 for lighting needs, identification of optimum light levels and utilization of high-performance lamps could provide an annual saving of $12,000.

Implementation Strategy: The Maintenance and Purchasing Departments should make arrangements with a major supplier to conduct the necessary evaluation. Survey recommendations should be implemented and results monitored for at least one year to ensure that projected savings are being achieved.

SECTION II

Welfare and Mental Health

The Governor's Review – 1975

WELFARE AND MENTAL HEALTH

The mental health team, with a total of 15 members, was responsible for surveying the operations of the Department of Public Welfare with particular emphasis given to the state's mental health and mental retardation institutions. In an effort to gain as much insight as possible, groups of two or three individuals spent the first five weeks of the study period visiting the various institutions and the department's four regional offices. Team members spent as much as two weeks at a single institution, reviewing its operations in detail. Later, they visited other facilities for one to three days. In all, 20 of the state's 31 mental institutions were covered. In order to achieve as broad a view as possible of the organization, operation and administration of individual facilities, team members also spent some evenings and weekends at the institutions and even participated in programs with patients/residents.

Visits were made to community-level mental health facilities throughout the state to gain a first-hand impression of possible alternatives to institutional care. In addition, operations of the County Boards of Assistance were reviewed. Following the field work, interviews were held with department personnel in Harrisburg to identify overall objectives, operating methods and problem areas.

The department has been mandated through the Mental Health and Mental Retardation (MH/MR) Act of 1966 to develop an overall system of care which will make greater use of community-level mental health centers and thus decrease the number of persons committed to institutions. Implementation of this objective has been very slow. Apparently, there are a number of factors contributing to this lack of effective action. A prime requirement — still unfulfilled — is the development of a comprehensive, long-range plan with specific objectives. Interference from unions, special advocacy groups and local civic and political organizations has been another impeding factor. Strong, determined leadership is needed to move the department ahead to carry out its objectives despite existing opposition.

Although the department lacks a comprehensive program, a tremendous amount of planning is done. However, it is fragmentary, uncoordinated and, for the most part, unimplemented. For example, regionalization of the department's administrative functions has been implemented in part, but there has been no delineation of responsibilities or appropriate delegation of authority. As a result, there is confusion, inadequate accountability, responsibility gaps and a duplication of work between the central office and the regions. All contribute to reduced effectiveness and higher costs. A number of organizational and operational problems also exist within the County Boards of Assistance.

A recommendation has been submitted which mandates a comprehensive plan oriented toward the concurrent build-up of community MH/MR programs, together with a consolidation of institutions into more cost-effective operations as balanced components of a good complete, overall mental health care system. The depersonalization of individuals in antiquated and inappropriate buildings at the institutions is very apparent. The observed results of moving these people to community-sponsored facilities mandate the aggressive development of more of these programs under county sponsorship. Individual recommendations to support and augment the comprehensive plan relate to the closing or phasing down of institutions, the provision of monetary incentives to the private sector, the movement of state employees to community programs and the allocation of an appropriate funding stream for accomplishing all this. It is important that the state realize not all groups can be satisfied, and that some must be temporarily inconvenienced for the long-term good of the majority.

A new organizational structure for Department of Public Welfare has been proposed which will strengthen the regionalization concept, and make it a more effective system for managing the state's institutions, programs and functions.

Several recommendations deal with methods to improve the functions of the County Boards of Assistance. These include computerization of files and assigning direct control of all activities to the regional commissioners, Income Maintenance. In addition, it is recommended that the number of board offices in the state be reduced.

In evaluating these recommendations, it is important that those responsible for implementation focus more on the broad, overall methodologies presented, rather than on some of the details included in the write-ups.

As a result of the team's involvement with the mental health program, some of the recommendations presented may go beyond the clear limits of management and administration and cross into the gray area of program and mental health science. This has not been done in an accidental or haphazard manner, but with close coordination and counsel from knowledgeable persons within the department.

Despite the problems which were identified, the team members were impressed by the professionalism and dedication of the employees they contacted in the Department of Public Welfare. In many cases, outside pressures have prevented them from fully realizing worthwhile

goals in regard to the state's mental health and mental retardation institutions. Concentrated planning, effective guidance and dynamic leadership are needed to enable the department to overcome these pressures.

DEPARTMENT OF PUBLIC WELFARE

The Department of Public Welfare provides financial assistance to the economically dependent through public assistance grants and medical assistance payments; provides care, treatment and rehabilitation to the socially, mentally and physically disabled; and engages in activities, including education and research, which serve to prevent or reduce economic, social, mental and physical disabilities.

Services are provided directly through administration of program services and indirectly through programs of standard setting, regulation, supervision, licensing, grants, subsidies and purchase of services. The actual delivery is executed through regional offices, County Boards of Assistance and various types of institutions.

The department is headed by a secretary, who is served by an advisory board. Reporting to the secretary is an executive deputy secretary, Operations, an executive deputy secretary, Federal Policy and Programs, a deputy secretary, Mental Health and Medical Programs, a deputy secretary, Mental Retardation and a deputy secretary, Social Services. The executive deputy secretary, Operations, is the chief line officer. He has four regional deputy secretaries and a deputy secretary, Management Services, reporting to him, and is responsible for implementing all department programs in accordance with established plans, policies and standards. The other deputy secretaries have staff responsibilities for planning and policy activities in their respective specialty areas.

The authorized personnel complement is 43,400 positions. Expenditures for fiscal 1975 amounted to $2.1-billion of which $1.2-billion were state funds. This is expected to increase to $2.6-billion in fiscal 1976 and the state portion will be $1.5-billion.

The department operates four administrative regions — southeast, northeast, central and western. Each is supervised by a deputy secretary. In addition to direct service deliveries for department programs, including operation of the state's mental, youth and general hospital institutions, the offices monitor services provided by county and private facilities. Regional employment totals 40,200 persons. The overall operating budget is approximately $632-million. The offices distributed some $1.3-billion in public and medical assistance payments for fiscal 1975 through County Boards of Assistance.

RECOMMENDATIONS

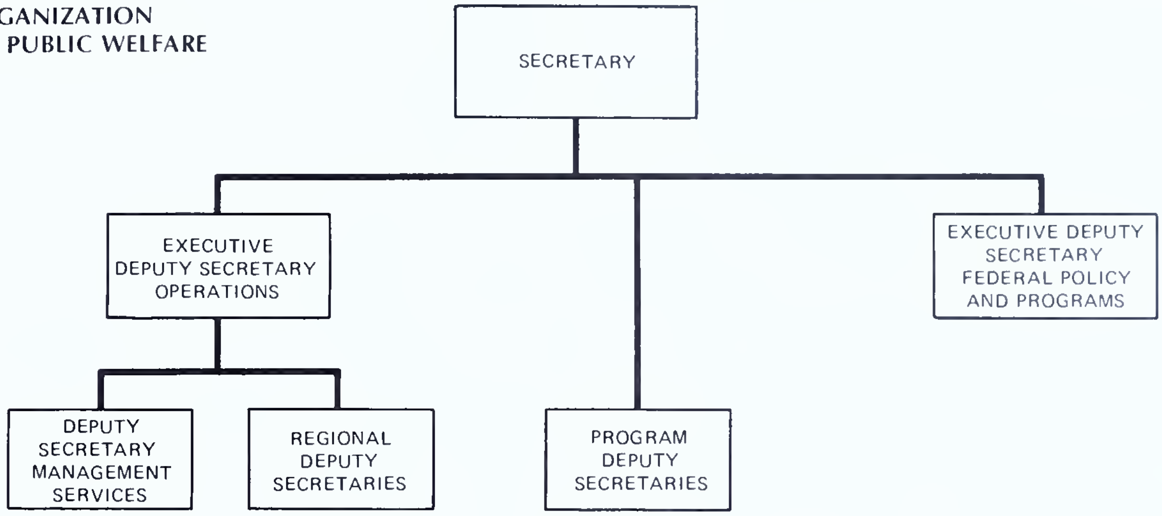
121. Strengthen the regional organization concept in order to improve service deliveries by the department.

The concept of regionalization was adopted by the department in 1967 to increase its capabilities in responding to client needs. It called for the transfer of operational responsibilities from program-oriented deputy secretaries in Harrisburg to newly established regional deputy secretaries. This approach has only been partially implemented and resulting benefits have been slow to develop. Among the problems which require attention are delays in service deliveries, ambiguous accountability for financial management, lack of comprehensive program planning, duplications of effort and an unfavorable climate for management development activities.

<u>Proposed Approach:</u> Modifying the present organization structure would substantially reduce the ambiguity of responsibilities for operational and financial management which exists between the central office and the regions. The following changes, illustrated by the present and proposed organization charts which are shown to the right, are recommended:

- Elevate the regional deputy secretaries to a direct reporting relationship with the secretary, Department of Public Welfare. In this way, these deputies would be fully accountable for all operational activities in their regions.
- Eliminate the executive deputy secretary, Operations, and assign required duties to the regional deputy secretaries. With the change in reporting relationships, this position would be unnecessary.
- Establish an executive deputy secretary, Management and Programs. His responsibilities would encompass central office supervision and provision of guidance in the areas of management services, policy development and program evaluation.
- Reassign certain functional responsibilities. Budgets should be prepared by the regional offices to reflect their requirements. These should be integrated into an overall department document developed by the Bureau of Fiscal Management. Logistical operations now handled by the Office of Management Services — food service, laundry, maintenance and the like — should be transferred to the regions. Areas of

PRESENT ORGANIZATION
DEPARTMENT OF PUBLIC WELFARE



statewide policy and interregional integration would remain the responsibility of the Office of Management Services. Purchasing approvals which cannot be handled by individual institutions and which do not require review by the Department of Property and Supplies should be approved by the regions. Institutional collections should also be transferred to the regional offices as well as all personnel and manpower planning activities. Licenses and private contracting should be a responsibility of the regions and they should also control county and local disbursements authorized by the department. Integrated service and supply centers should be developed on a regional basis with the assistance of the Office of Management Services.

- Structure the function of the regional offices as shown in the chart on page 42. Eliminating the separation between mental health and mental retardation activities will provide an interface with county MH/MR administrators and help consolidate institutional management within the regions.

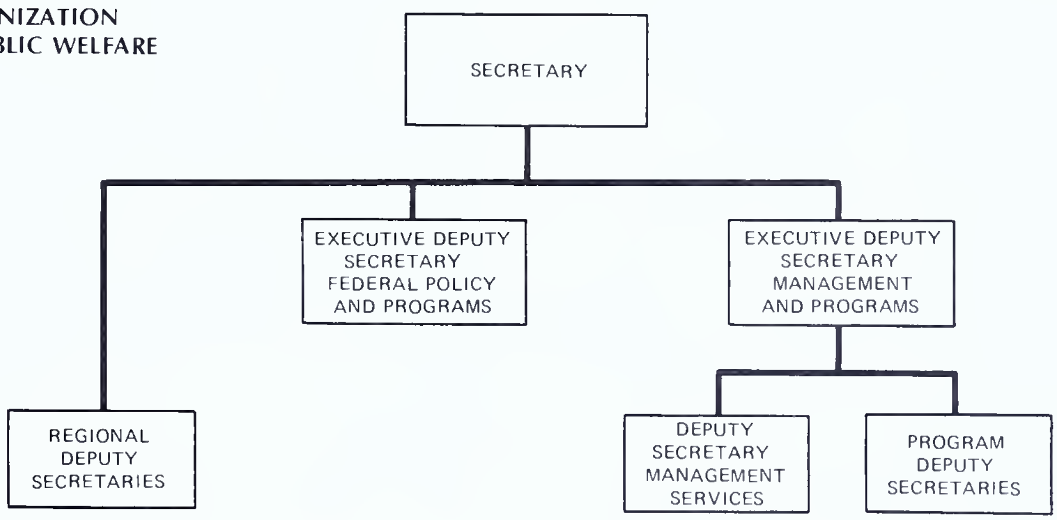
Implementation will improve service deliveries and provide an opportunity to realize substantial operating economies. Benefits to be achieved by eliminating duplicate activities and improving overall utilization of department resources have been claimed, in part, in other recommendations.

Implementation Strategy: The director, Office of Manpower, should work with the central office deputy secretaries and the regional deputy secretaries to identify specific functions, positions and personnel to be reassigned to the regions. Once this is accomplished, the secretary, Department of Public Welfare, should issue a formal announcement of the changes made and the resulting responsibilities.

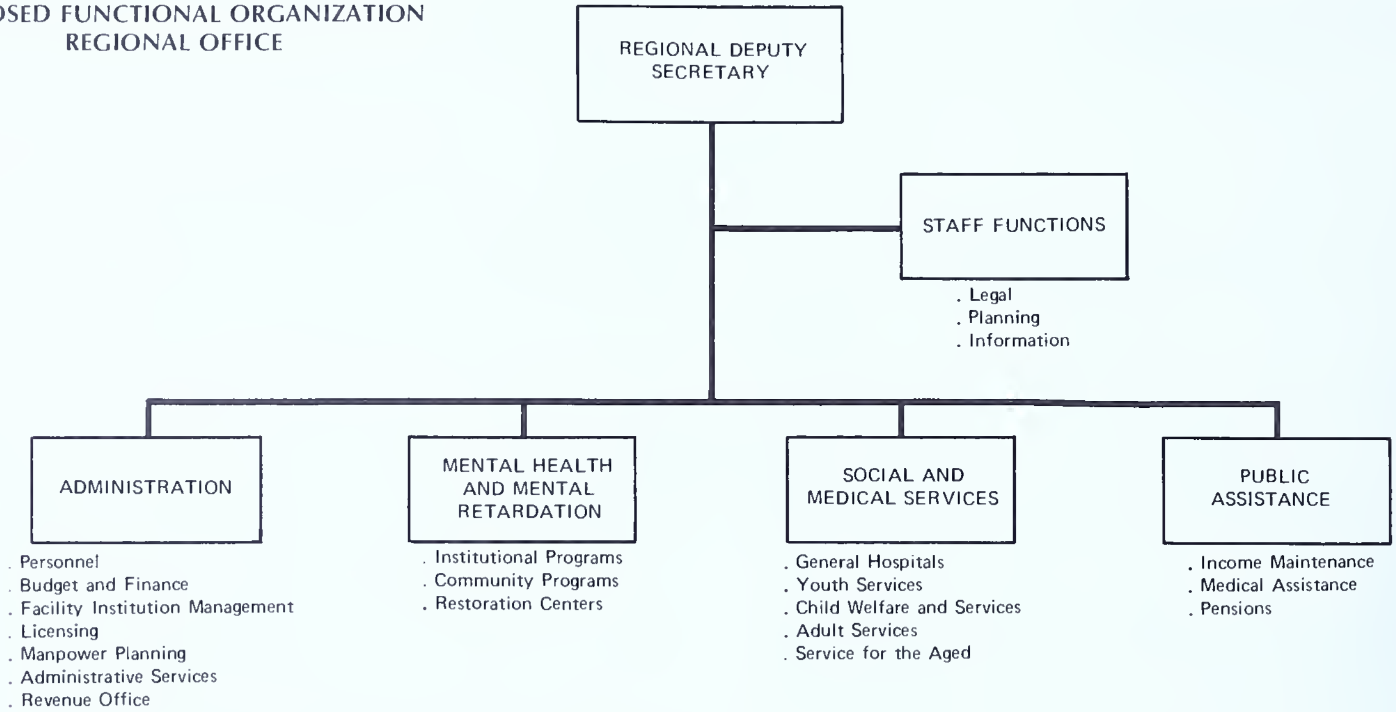
122. Implement an integrated statewide approach to deliver human services.

Currently, the delivery of human services provided by various government levels and entities involves separate agencies and funding streams with autonomous offices, personnel and support services. This approach requires

PROPOSED ORGANIZATION
DEPARTMENT OF PUBLIC WELFARE



PROPOSED FUNCTIONAL ORGANIZATION
REGIONAL OFFICE



the client to deal with an array of agencies and submit to repetitive interviews and completion of forms.

Proposed Approach: Federal laws and regulations are being changed to redefine service categories in terms of human needs such as aging, children, family, poverty, youth and so on. At present, three projects are in various stages of development. These are The Northeast Region United Services Agency, The Man Valley Health and Welfare Council and The Allegheny County Human Services Commission. All are attempts to develop integrated human service delivery systems. Based on the data produced by these programs, the state should be able to design and implement a statewide approach to human service delivery which is consistent with new federal requirements. Key features would include:

- Co-location of agencies and categorical services.
- Common client intake and follow-up activities.
- Computerized data systems for client information and tracking, cost accounting and funding accountability with printouts of reports and bills.
- Interdisciplinary teams to deliver comprehensive services to the client.
- Common support services.

This approach can be implemented and continued with existing personnel. However, it will require extensive review and planning by those who would be responsible for implementation.

While it is difficult to determine the total cost of administering human service programs, it is believed that 10% of the overall budget is required for clerical and support functions. At a spending level of $256-million, this would amount to $25-million. Implementation of a statewide delivery system should provide a net annual saving of at least 5% of this expense or $1.2-million. Equally important is the significant improvement in service which can be anticipated.

Implementation Strategy: The secretaries of the Departments of Public Welfare and Health should work with the Governor's Commission on Human Services to establish an implementation team. This group would be responsible for developing detailed plans and methodology for a unified delivery system. Implementation of the system should be complete within two years and should be planned within current budget limitations to realize projected savings.

123. Eliminate unnecessary administrative and clerical positions in the department's subregional offices.

The intent of the subregional offices was to provide a base of operations for field workers in the geographically extensive western and central regions. Since they report to regional commissioners, there is no need for existing administrative personnel in the subregional offices. The paperwork generated by the field workers is normally completed early in the week, leaving the clerical staff in these operations little to do.

Proposed Approach: The Meadville subregional office in the western region should be closed. Field workers and a reduced level of clerical support should be assigned to an existing state office facility in the Erie area. Since field

personnel report to the regional commissioners, there will be no need for administrative personnel in the new operation. Implementation should reduce current staff by one director, one administrative officer and two clerks for an annual saving of at least $40,000. Using existing state facilities should reduce annual rental expenditures by $20,000.

In the central region, the three subregional offices should continue to operate in their current locations. However, three coordinators and three typists should be terminated to eliminate unnecessary administrative and clerical positions. The annual saving would be about $100,000. This will bring overall annual savings to $160,000.

Implementation Strategy: The regional deputy secretary will make the final determinations in regard to excess administrative and clerical positions. Staff reductions should be carried out within six months. In the same period, the regional deputy secretary or his director, Management Services, should select appropriate office facilities for a subregional operation in Erie. Transfer of the unit should be completed within two months.

124. Centralize the functions of the institutional revenue agents at the regional level.

Each of the 31 MH/MR institutions has its own revenue agent and supporting staff. Responsibilities encompass determination of patient financial resources, collection activities and custody of patient accounts. Administratively, these agents report to the institutional business manager. The regional offices employ revenue consultants to assist these agents. At present, all bookkeeping, payment posting, billing and statistical report compilation is done manually. Overall, this decentralized system requires an inordinate amount of time and personnel. In addition, there is a significant lack of uniformity in collection efforts and revenue remittance.

Proposed Approach: The revenue function should be transferred to the regional office. However, a reduced revenue staff would remain at the institutional level to perform the resource examiner function, ensure adequate communication and provide effective patient service. All payments, other than cash, would be mailed directly to the regional office for posting and transmittal to the Department of Revenue. An EDP system should be installed to handle bookkeeping, billing and report requirements in the regional offices. A mini-computer would provide sufficient capability and equipment selection should be based on compatibility with central computer systems. Staff reductions will provide a net annual saving of $932,000 over current expenditures.

Implementation Strategy: Authorization will be needed from the secretary, Department of Public Welfare. Regional deputy secretaries should then select personnel for the new organizations. A conversion team representing the regional revenue function, the Bureau of Data Processing and the Division of Institutional Collections should be formed to set standards and design operational procedures. A pilot program should be established in the central region within 90 days. Subsequent conversions should require only 60 days. Overall implementation would encompass a total of six months.

125. Centralize the purchasing functions for the Department of Public Welfare in each of its four regions.

The department has 189 full-time employees assigned to purchasing activities. Of this total, 56 are purchasing agents and 112 are clerical workers. Although the overall work load is not sufficient to justify this staffing level, the fragmentation of purchasing activities among various local operations appears to require it.

Proposed Approach: To improve the quality of the purchasing activity and reduce costs, these functions should be centralized in each of the four regional offices. The staff for each region would consist of five to six purchasing agents and 10 to 12 clerical workers. The staff reductions — 50 clerks and 25 purchasing agents — plus an anticipated 15% decrease in the number of purchase orders written would provide an annual saving of about $1-million.

Implementation Strategy: The department secretary should assign an implementation team of two people to work out the details of centralizing one regional purchasing activity at a time.

126. Eliminate the building construction engineers in the regional offices.

There are five engineers employed by the regional offices to render assistance to state institutions on construction or maintenance projects with costs of less than $12,000. However, most of the institutions have competent in-house engineers or use expertise from the Construction and Maintenance Division in Harrisburg.

Proposed Approach: Since adequate assistance is available elsewhere, these positions should be eliminated. Abolishing them would provide an annual saving of $110,000.

Implementation Strategy: The deputy secretary, Management Services — with concurrence from the secretary — should authorize the elimination of these positions. At the same time, responsibilities of institutional maintenance engineers should be clarified. This activity should emphasize the relationship with the department's Division of Construction and Maintenance.

127. Improve administration of the job/position classification system in the Department of Public Welfare.

Over the years, the department's management techniques and responsibilities have changed significantly. Administrative duties which were once concentrated in the central office have been reassigned to regional operations. However, nothing has been done to update the job/position classification system. Present titles do not reflect actual responsibilities. Job descriptions do not provide adequate detail in regard to experience, education and skill requirements. Pay ranges for certain positions are insufficient to attract and retain qualified personnel while others are overgenerous. Reporting relationships do not provide effective management control. The problem appears to have three major components:

- The present classification system does not encompass all of the present activities and requirements of the department.
- The inadequacies of the system generate an excessive amount of personnel grievance activity.
- The existing mechanism for changing classifications requires from three months to five years, adding to the strain and frustration.

Proposed Approach: To remedy this situation, it will be necessary to review, update and revise the current classification system. In doing this, existing studies, surveys and projects relating to the system should be identified, coordinated and implemented. There should be a central coordinating unit to direct these activities and appropriate union representatives should be notified of impending actions. Management prerogatives and responsibilities must be clearly defined and proper controls developed in regard to salaries and manpower requirements. Significant benefits should be achieved in terms of improved effectiveness. These would include:

- Adjustments of current job inequities.
- Reduction in the number of grievance filings.
- Improved employee morale and performance.
- More effective control of salaries, financial projections and staffing levels.
- Proper assignment of organizational responsibilities and streamlined decision-making procedures.

Implementation Strategy: Final approval will be needed from the Bureau of Personnel in the Office of Administration. However, department activities should be assigned to the director of the Bureau of Manpower Planning and Development. This bureau should gather information from the regional offices to develop and implement the program within six months. Once established, classifications should be updated on a continuing basis. The recommendation to do this on a statewide basis, as outlined in the report on the Civil Service Commission, will take longer to implement.

128. Advance funds to counties for welfare programs on a monthly rather than quarterly basis.

Advance payments are made by the state to help finance county welfare programs. The fiscal 1976 budget for these activities is approximately $119-million, with $29.75-million disbursed in advance each quarter. For the most part, these funds will be held in checking accounts until they can be used. This represents a loss of potential interest to the state.

Proposed Approach: Governing legislation should be amended to permit monthly rather than quarterly disbursements to the counties. Since these payments would be in accordance with budgeted needs, seasonal factors could be taken into consideration in setting the size of the payment. The primary benefit would be the increase in investable income at the state level. At a 6% rate, the annual income to be realized would total $595,000.

Implementation Strategy: The department secretary should have an appropriate amendment prepared to revise existing legislation. Individual counties would be required to submit monthly expenditure estimates to the Bureau of Fiscal Management. Implementation should be complete by fiscal 1977.

129. Utilize a fee-for-service reimbursement system exclusively for social care providers.

The state contracts with private sources for day care centers, homemaker services, nursing homes, mental health facilities and other types of social and welfare services. In general, reimbursements are based on a program contract amount, a per diem ceiling or actual operating costs. The result is that unit costs for the same service vary greatly among providers. Also, the cost and quality of service are not necessarily compatible.

Proposed Approach: The majority of contracted services can be grouped so that types and levels of required services can be defined. Given the necessary parameters, reimbursements can be established on a unit of service basis — visits, patient days and so on. In effect, providers would then be paid a flat amount for each unit of service provided. Standards could be established and maintained for each service by the state's licensing and inspection personnel. Implementation would require annual reporting of actual costs and unit of service data from all contractors. In the day care program alone, potential savings would amount to $1.3-million in state and $6.7-million in federal funds. This projection is based on a 50% differ-

ence which exists between high and median contracted costs with the difference considered as excess expense. Similar benefits should be attainable in other program areas.

Implementation Strategy: Development of required data and implementation of the proposal should be a responsibility of the deputy secretary, Management Services.

130. Develop procedures to prevent loss of income due to inappropriate implementation of a federal court decision.

A 1974 federal court decision — *Vecchione v. Wohlgemuth* — declared that Section 424 of the Mental Health and Mental Retardation Act of 1966 is unconstitutional. Section 501 of the same act was also declared unconstitutional when applied in conjunction with Section 424. These two statutes cover funds of persons admitted or committed to state operated facilities and the financial liability of mentally disturbed persons. Subsequently, the court ordered the Department of Public Welfare to issue certain regulations concerning collection of funds payable to patients or residents. In effect, the new regulations prevent institutional revenue agents from establishing new accounts or managing current accounts in accordance with Section 424. They also prevent the agents from deducting institutional maintenance costs, as provided under Section 501, from patient income deposited in these accounts. Several problems have resulted:

- Patient/resident funds and property must be returned directly to them, pending competency hearings and, where required, court appointments of legal guardians. Court directed refunds of monies collected from patients as maintenance costs since July 1974 could amount to as much as $8.5-million, according to some estimates.
- The current buildup of patient funds and assets could possibly render many ineligible for medical assistance payments. This could result in a potential loss of at least $16-million annually in federal payments to institutions.

Proposed Approach: The Office of Legal Counsel in the Department of Public Welfare has established a tentative legal position suggesting that accumulated patient funds do not constitute an available resource pending appointment of a guardian. This is because they are subject to appropriate charges and, therefore, should be encumbered pending such appointments.

To prevent the loss of medical assistance payments, the department should implement procedures to handle funds and accounts for patients in a way which will ensure continued eligibility. Such regulations should be consistent with the tentative legal position already established. Further, the department should develop a more expeditious method of securing guardian appointments.

An effective means of retaining medical assistance eligibility would assure retention of at least $16-million in annual income by the state. Since the economic benefits to the state being cited are potential in nature, no savings are claimed for this recommendation.

Implementation Strategy: The Office of Legal Counsel and the attorney general should prepare a definitive statement of the state's legal position to present before the federal court. The department should establish appropriate procedures based on this position and steps should be taken to use court-appointed masters to expedite competency hearings. An approach to use accredited financial institutions as guardians should also be developed.

131. Amend governing legislation to reinstate appropriate financial liability for relatives of MH/MR patients over age 18.

Public Act 249 was recently enacted. Its purpose was to provide some relief for financially liable relatives of mentally retarded residents committed to long-term institutional or community treatment. Unfortunately, the intent was expanded to cover all legally responsible relatives of MH/MR patients over age 18 and may even be used by insurance companies to avoid third party liability.

The result has been a 25% to 30% loss in revenue for both state and county treatment programs. This may amount to a revenue reduction of between $11- to $12-million for fiscal 1975. If commercial carriers disclaim their liability, the losses will increase sharply.

Proposed Approach: Legislative action should be taken to reinstate appropriate financial liability for relatives of MH/MR patients over age 18. The liability should be based on the previous "ability-to-pay" concept and relief granted to parents of long-term institutional patients. Two such bills are now before the General Assembly and affirmative action should be taken on one or the other. Implementation would increase state income by a minimum of $5-million annually.

Implementation Strategy: The Legal Counsel, the Department of Public Welfare and the Governor's Office should take immediate action to ensure that one of the pending bills is enacted immediately. At the same time, the Legal Counsel and the Department of Public Welfare should prepare additional legislation or changes in department regulations which will identify the legal liability of relatives not covered by the bills based on the ability-to-pay concept. Recommendations resulting from this activity should be forwarded to the Governor's Office and the General Assembly for implementation.

132. Establish a management advisory board for SPIASU.

The Southeast Pennsylvania Institutional Area Service Unit (SPIASU) was formed to provide support services to various institutions in the southeastern region. At present, some 236 employees supply dietary, laundry, maintenance, automotive, groundskeeping and security services to participating facilities. However, the lack of available resources to meet all needs promptly, questionable service charges and insufficient communications between SPIASU and individual institutions have caused many problems.

Proposed Approach: In order to increase the effectiveness of this service concept, a management advisory board should be formed for SPIASU. Members would consist of the head of SPIASU, the institutional business managers and the regional deputy secretary. Meetings would be held monthly. This should resolve the communications problem and would keep SPIASU informed of institutional needs and complaints. No savings are claimed, although operating effectiveness should be improved.

Implementation Strategy: The regional deputy secretary should authorize formation of the board and ensure that meetings are held monthly. He, or a designee, should attend meetings to provide necessary direction.

133. Centralize SPIASU's reporting and billing functions in Harrisburg.

The responsibility for allocating and reporting SPIASU operating costs to Harrisburg and the facilities it serves is fragmented and results in ineffective control over the process. The comptroller is responsible for accounting and auditing activities at the unit level while the department's Office of Fiscal Management computes bills for the facilities served. Under this system, the facilities do not receive itemized invoices showing cost distributions for services rendered. This means they have no way of identifying charges for specific services.

Proposed Approach: Reporting, allocation and billing functions for SPIASU should be centralized in the comptroller's office in Harrisburg. The statistical data required to carry out these functions should be supplied from the field on a monthly basis. Itemized invoices should be sent to the facilities served with an identification of overhead expenses included in the individual charges. This will enhance SPIASU cost control activities and will enable the institutions served to make accurate comparisons of service costs. In no case should the cost charged by SPIASU be greater than the competitive commercial cost for providing the service.

Implementation Strategy: Arrangements should be made to report all SPIASU costs to the comptroller's office. The office would allocate costs to the facilities served and provide itemized invoices. It would also perform periodic audits to determine competitive costs as well as the accuracy of data supplied by SPIASU.

134. Expand the concept of joint utilization of institutional support services statewide.

Implementing an efficient means to provide various support services for geographically clustered state institutions has been a long-term project for the Commonwealth of Pennsylvania. The SPIASU project, although not without problems, appears to be a viable means of accomplishing this objective.

Proposed Approach: The benefits of the joint services concept should be expanded on a statewide basis. This would be done by establishing similar units in department regions under the direction of the deputy secretary, Management Services. The units would report their financial information to the comptroller in order to gain the advantages of centralized billing. Priority setting and problem solving in regard to services rendered would be handled at the district level. This would be done through periodic meetings between unit personnel and business managers of the facilities served.

Results would be reported to regional authorities in order to provide an overall picture of the service unit concept and to identify common problems. Service unit charges would be competitive with those of private sector vendors. If a unit is not cost efficient, it should be disbanded. Implementation of this recommendation would provide several benefits as follows:

- SPIASU is able to offer support services with approximately 130 fewer employees than would be required to staff individual institution activities. On a statewide basis, the proposed service unit expansion would provide an annual labor saving of $3.2-million in state and $1.1-million in federal funds.
- Consolidation of support services can also provide a one-time saving of $3.2-million in state and $1.1-million in federal funds by reducing equipment and facility construction costs.
- Centralized authority will ensure more rapid identification of significant support service problems while proposed financial controls will provide statewide comparison data to determine the overall efficiency of the units.

Implementation Strategy: The secretary, Department of Public Welfare, should establish a task force to supervise statewide expansion of the service unit concept. It would be this group's responsibility to identify the institutions which would make most effective use of joint services.

135. Establish a central index and library function covering all research reports, studies and surveys pertaining to human social services delivery and administration.

Throughout the Department of Public Welfare, surveys and studies are conducted to identify and evaluate factors which influence the effectiveness of a program or administrative unit. Other types of specialized research are done under various federal grants. However, there is no central source to provide results of previous studies to department personnel. More importantly, there is no system to coordinate present and proposed research efforts into a long-range plan which will eliminate duplicate or redundant activities. In addition, no procedures exist for providing abstracts of current studies although such data can be a valuable tool in determining a project's applicability in another area.

Proposed Approach: The department should establish a central index and library containing all research findings and studies done internally or with contracted consulting firms. The facility should include copies of completed projects along with a brief abstract indicating the factors studied, methodology, results and interpretations. Abstracts should be provided for all projects, whether internal or contracted. A separate index should be maintained on all present and proposed studies. It should be reviewed by department heads to provide coordinated research efforts. The library should also be responsible for collecting and disseminating information developed by sources outside of the department.

The establishment of a central index and library would offer several benefits:

- Avoid unnecessary or duplicative research.
- Provide a valuable source of information.
- Stimulate data sharing among department units.
- Enable department personnel to coordinate research and study efforts.
- Increase problem-solving capabilities and shorten research time within the department.
- Reduce competition for federal funding of research projects among the administrative units.
- Increase efficiency and effectiveness sufficiently to offset minimal personnel and duplicating costs required for implementation.

This proposal is in accordance with a general recommendation made in the Human Resources section.

Implementation Strategy: The department secretary should assign responsibility for this program. Once established, the library would be responsible for providing each program secretary with a list and abstract of all information and studies received.

INCOME MAINTENANCE

The Office of Income Maintenance in the Department of Public Welfare establishes policy, evaluates activities and collects reimbursements for various public assistance programs such as aid for families with dependent children, supplemental security income, medical assistance, general assistance and food stamps. The office is organized into the following bureaus: Systems Development, Policy, Field Review, Claim Settlement and Federal Conversion. Some 200 people are involved in establishing policies and monitoring client eligibility and payment amounts. Another 300 employees collect reimbursements or restitution due the state. The fiscal 1975 budget included almost $1.2-billion for cash and medical assistance programs with an additional $160-million allocated to county administration activities.

RECOMMENDATIONS

136. Make the County Boards of Assistance advisory rather than administrative bodies.

These boards are appointed by the Governor and confirmed by the Senate. Under current legislative provisions, they share personnel and administrative responsibilities for county public assistance offices with the Department of Public Welfare. This separation of administrative responsibility hampers effective implementation of department policies and programs. Legislation was introduced proposing that the boards be made advisory, but no action was taken.

Proposed Approach: The Department of Public Welfare should be given direct responsibility for all policy and personnel matters. The present boards — to be known as County Advisory Boards of Assistance — should be mandated to advise the department on rules, programs, overall policies and the like. They should also review matters pertaining to the welfare of public assistance recipients and should act as liaison between local offices and the community. The boards should also have the authority to appoint various committees to provide support and assistance to these offices.

This change will minimize patronage hiring in the counties and facilitate structural revisions proposed elsewhere for board offices.

Implementation Strategy: The secretary, Department of Public Welfare, should initiate a reintroduction of the bill to change board responsibilities. Legislative action

should then be taken to make the county boards advisory in nature.

137. Consolidate County Boards of Assistance wherever possible.

Public assistance programs in the Department of Public Welfare are administered through the central office, four regional operations and 67 County Boards of Assistance. The boards determine eligibility and provide casework services for public assistance recipients. They currently operate through 96 county assistance offices which employ 9,970 people. Changing patterns of economic development and alterations in the physical location of recipient populations have resulted in inefficient distribution of these operations. This is highlighted by the variations in staff levels, caseloads and recipient characteristics served by each county assistance office.

Proposed Approach: The concept of County Boards of Assistance should be gradually phased out. Public assistance offices should replace existing county facilities. Optimum staff levels should be determined and locations chosen to minimize the transportation and communication required by the recipient population. The department would have to identify the various assistance categories and physical distributions of recipients in order to provide required services at peak efficiency. Alternatives could then be evaluated on a cost-benefit basis, taking into consideration other social service variables. As an initial step, county boards should be merged wherever possible based on existing caseload levels. It is anticipated that a joint program with the community mental health delivery system would reduce the number of boards from 67 to 41. In addition to providing optimum service levels and economies of scale, use of public assistance offices would reduce administrative layers in the present board approach and permit future changes in location as industrial and economic patterns change. Consolidation of the boards as recommended should produce a saving of 3% in current expenditures or $2.6-million in state and $2-million in federal funds.

Implementation Strategy: The secretary, Department of Public Welfare, should prepare enabling legislation to design and install a system of public assistance offices under direct control of the department. Board duties should be amended to make them advisory rather than administrative bodies, as recommended elsewhere.

138. Eliminate excess staff in county board offices.

In an effort to correct the unbalanced distribution of public assistance workers throughout the state, the Department of Public Welfare assumed responsibility for allocating personnel working for County Boards of Assistance. It devised a personnel matrix for income maintenance workers for each county based on caseloads. A total authorized complement of personnel for each county was also prepared. This was done within the confines of a budgeted ceiling for county board personnel. A recent review of the authorized complement versus actual manning levels reveals significant inequities still exist. The department recently received an authorization increase of 128 income maintenance positions for certain undermanned counties. However, 210 excess personnel — mainly in other job classifications — remain on the payroll in other counties. In effect, hiring is being carried out in counties that need people, but no effort is being made to reduce personnel levels in overstaffed areas. Since many counties are still undermanned in relation to their calculated requirements, they are being penalized by virtue of the authorized ceiling.

Proposed Approach: The department should begin reducing excess personnel in counties which do not conform to the parameters of the matrix. It can either transfer these people to undermanned areas or discharge them. Implementation will provide an annual saving of $2.2-million, based on an average salary of $8,500 plus benefits for 210 employees.

Implementation Strategy: The department's secretary should:

- Offer excess personnel the option of being transferred to undermanned offices, reclassification to an available position, if appropriate, or termination.
- Hire new employees with the understanding that relocation may be necessary to retain their position.
- Hold new authorizations in abeyance until redistribution and proposed manning studies have been completed.
- Transfer responsibility for making appropriate transfers to the regional commissioners once current inequities have been eliminated. However, the department should continue to monitor overall staffing patterns.

139. Rewrite the public assistance manual into a simpler, more usable format.

The manual is a complex collection of department regulations, policies, procedures and memoranda encompassing 11 loose leaf binders. As many as 40 revisions may be issued monthly. In its present format, the manual is voluminous, disjointed and difficult to use. This makes it difficult for employees to locate needed information and causes errors in determining recipient eligibility.

Proposed Approach: The manual should be reissued in a more logical format. The simplest method would be to divide information into a policy/regulations binder with a

separate book for procedures. Revisions should be issued in the form of page replacements or numbered appendices to specific sections. A comprehensive index and tabs should be incorporated into the manual to provide easy reference access. Users, other than government employees, would be required to purchase the book and pay an annual fee to receive revisions. The anticipated increase in efficiency should permit a personnel reduction of one position in each of the 96 public assistance offices. The estimated annual savings would amount to $780,000 in state and $520,000 in federal funds. The one-time cost of implementation would be $140,000.

Implementation Strategy: A task force of three people should be appointed by the secretary, Department of Public Welfare, to work with a team of technical writers to revise the manual. The project could also be contracted to an outside firm. Implementation should be accomplished within a year.

140. Install an EDP system for public assistance with terminals in county board of assistance offices.

There are some 275,000 public assistance cases covering approximately 800,000 individuals in Pennsylvania. These recipients are served by 96 offices in 67 counties. Although the Department of Public Welfare has a computer bank of data files on public assistance cases, the county board offices have no means of access to the information. As a result, duplicate files must be manually maintained in each county and there is no effective means to exchange information between counties to help prevent individuals from receiving assistance in more than one county.

Proposed Approach: The secretary, Department of Public Welfare, has established a task force of 10 people to suggest improvements in county board office operations. Computerization of files and remote access to data is one of the major objectives. The most effective means of accomplishing this goal would be to establish a centralized data file on all public assistance recipients in the Department of Public Welfare. Terminals should be installed in the individual offices to permit them to enter information into the files and retrieve data as needed. Implementation would provide:

- Improved verification to reduce duplicate applications for assistance.
- Fast and accurate determination of eligibility and grant amounts for most clients.
- More timely processing of information and checks, reducing the idle emergency funds required.
- Elimination of manual filing methods and a reduction in the clerical work load.
- Increased productivity of income maintenance and other county board office personnel.

Implementation should permit a clerical staff reduction of 150 positions for an annual saving of $732,000 in state and $570,000 in federal funds. The one-time cost would be approximately $140,000 in state and $100,000 in federal funds. Annual costs are estimated at $457,000 for the state and $350,000 for the federal government. The net benefit will be $275,000 state and $220,000 federal.

Implementation Strategy: The task force established by the secretary, Department of Public Welfare, should develop a pilot program of centralized files and remote terminal access in one county within a year. The system should be operational in approximately half of the county board offices within two years.

141. Issue public assistance checks on a monthly rather than semimonthly basis.

Pennsylvania is one of only four states in the country which issues public assistance checks on a semimonthly basis. Under this procedure, recipients receive checks "in advance." Those mailed on the first of the month cover the subsequent 15-day period. If a case is closed during this time, the state sustains a loss for whatever portion of the 15 days remains.

Proposed Approach: Checks should be written once a month on a mid-period basis to avoid overpayments. Implementation will reduce the number of checks written by 50% and provide savings in the purchase of supplies, processing expenses, mailing costs and bank service expenditures. The total annual saving, including anticipated reductions in overpayments, would amount to $2.31-million in federal and $3.07-million in state funds.

Implementation Strategy: The department secretary should authorize a change in check issuance to once a month. The Bureau of Data Processing and the Treasury Cash Assistance Disbursements Office should coordinate a new payday schedule and the bureau should design the software required for implementation. Directives should be provided to county board offices regarding the new procedure. Paydays could be changed to mid-period by delaying the checks one day in each successive period for six months. The decreased work load would make it possible to increase the time allotted to processing medical assistance payments.

142. Expand the direct delivery system for public assistance checks in Philadelphia, Allegheny and Bucks Counties.

To reduce the number of lost and stolen checks, the department delivers them to participating banks in various cities. Recipients go to these banks and, after present-

ing identification, are issued their checks. Currently, 67% of all clients in Philadelphia, Allegheny and Bucks Counties receive checks through the direct delivery system. In fiscal 1974, the number of lost or stolen checks for which a duplicate had to be issued was reduced 70% as a result of this procedure. Statewide there are presently 87,000 cases not on the direct delivery system and total number of duplicate checks approximate 2,700 per month. In these three counties alone, there are 69,000 cases not on the system and they account for about 90% of the duplicate checks.

Proposed Approach: Direct deliveries should be implemented to the fullest extent possible in Philadelphia, Allegheny and Bucks Counties. Where additional banks cannot be recruited, other types of financial institutions, county assistance offices or even appointed distribution agents should be used. The annual service cost is estimated at $393,000 in state and $297,000 in federal funds. The annual saving through further reduction of check losses would amount to $1.13-million in state and $850,000 in federal funds. The net annual benefit would be $737,000 for the state and $553,000 for the federal government.

Implementation Strategy: The secretary, Department of Public Welfare, should authorize expansion of the system. The program would be the responsibility of the commissioner, Income Maintenance. Activities should be coordinated with the Treasury Department and legislative action taken, if necessary, to define qualified issuing agents.

143. Improve space layouts for county board offices to increase staff efficiency.

In most cases, when offices for the County Boards of Assistance were established, little thought was given to systematic layout planning. As work volumes and staff levels increase, changes are made based on available space rather than efficient workflow patterns. Situations can develop where personnel are phsycially separated from their files, equipment and the employees with whom they interact. Poor office layout can also increase space needs unnecessarily.

Proposed Approach: A systematic planning technique should be used to improve workflow and provide optimum space utilization in county board offices. A method which is used in industry would require five steps as follows:

- Chart working relationships and establish personnel and equipment space requirements.
- Diagram activity flow.
- Design space layouts.
- Evaluate alternative methods.
- Detail the selected plan.

Implementation would require a one-time expenditure of $25,100 in state and $18,100 in federal funds. However, based on industry results, more efficient work patterns should produce a 5% increase in productivity. Since about 25% of the work force is clerical, such an increase in only half of the 96 existing offices would provide an annual saving of $323,000 in state and $244,000 in federal funds. The total staff complement in these offices is 9,920 employees.

Implementation Strategy: The deputy secretary, Management Services, should coordinate the proposed change with the regional commissioners, Income Maintenance. A supervisor from one of the county board offices should be appointed as the project manager and provided special training in office layout techniques. He would then survey existing offices and train other board supervisors in regard to space utilization. The entire program should be implemented within six months.

144. Develop comprehensive medical assistance audit capabilities to prevent abuses and ensure proper administration.

Only 5% of the incoming invoices for nonhospital providers of medical assistance services are audited. When fraud or abuse is suspected, cases are referred to a field investigating staff. The amount of restitution to the state is minimal in relation to the cost involved in securing it and the projected amount of abuse which exists. It is conservatively estimated that the state may be suffering a loss of more than $10-million annually.

Proposed Approach: By computerizing invoice payments and including an audit capability, 100% review of questionable cases will be provided. This would be a component of the federally required Medicaid Management Information System (MMIS). The field investigation staff should be increased to a total of 24 with 10 of the 15 new employees located in Philadelphia. This will permit more timely processing of investigations. An independent peer review group — the Professional Standards Review Organization — should act as the court of appeals on restitution cases. It would have authority to render final decisions, keeping caseloads current and eliminating court costs. All concluded cases should be publicized so provider groups will be aware of the action taken by the state to gain restitution and punish offenders. The increased investigation staff will require an annual expenditure of $225,000. However, implementation should reduce the incidence of fraud and abuse by at least 50% for an annual saving of $5-million. The net annual saving will be approximately $4.8-million.

Implementation Strategy: The deputy secretary, Mental Health, should take appropriate steps to implement this program within six months. The Bureau of Medical Assistance should prepare quarterly progress reports on its effectiveness.

145. Implement a new system for processing medical assistance payments.

The present system uses two keypunch service bureaus, four state units plus a fiscal intermediary to process medical assistance invoices. It can require as much as three months before a check is mailed to the provider. Furthermore, it does not lend itself to the development of utilization review information nor does it provide input to the MMIS now mandated by federal guidelines. The MMIS plan has been submitted to Washington for approval, but implementation will require about two years.

Proposed Approach: Medical assistance checks should be processed in the same manner as cash assistance payments. The department's Medical Assistance Reporting System (MARS) computer system should be converted as an interim step so that many of the benefits of MMIS can be realized within six months. Provider invoices would be sent directly to the Data Control Section in the Bureau of Data Processing. As is presently done, they would be sorted, batched and sent to service bureau contractors for data reduction. If provider invoices could be made readable by optical scanning equipment, this last step could be eliminated. When the processed data are returned, they would be entered into the computer and checked against three bases — provider, recipient and dollar amount criteria for service. The computer output would be a magnetic tape to be used in producing the checks. When written, the checks would be verified and sent to the Bureau of Public Assistance Disbursements in the Treasury Department.

There, the invoices would be verified and the checks audited, signed and mailed. Changing public assistance checks to a monthly issuance basis, as proposed in another recommendation, will enable the Treasury Department to accommodate this processing with no additional staff. The estimated processing time from receipt of an invoice to mailing would be 10 days. As checks are processed through the computer, data could be collected on providers and clients for MMIS. Benefits from implementation would include the following:

- Speed up payment cycle. This system will shorten the processing time from approximately three months to 10 working days.
- Accomplish necessary federal reporting. The regulations could be met by entering the category of assistance for each recipient into the computer.
- Provide MMIS information within six months instead of two years. Output information on providers and recipients could be compiled in a manner to fulfill the needs of this system most effectively.
- Expand utilization review data. At present, utilization review is based on a 5% random sample of cases other than in-hospital claims. By setting parameters in the computer at desired levels, all claims which fall outside guidelines could be investigated.
- Result in an annual saving of \$2.37-million as follows: eliminate 105 employees in the Division of Finance, Department of Public Welfare, and 10 staff members in audit and accounting areas, reduce service bureau costs if optical scanning equipment can be used for invoices and completely eliminate fiscal intermediary charges. Of the total saving, \$1.35-million would be state and \$1.02-million federal.

Implementation Strategy: The secretary, Department of Public Welfare, should introduce legislation which would put medical assistance checks in the same preparation category as unemployment and cash assistance payments. An implementation timetable and program should be negotiated with the Treasury Department and the existing MARS system modified as required.

146. Determine the feasibility of contracting with a private corporation to administer the Medicaid program.

Administering Medicaid in Pennsylvania is a large, costly undertaking. Since fiscal 1966, expenditures have increased annually by 26%, going from \$65.4-million to \$427-million in fiscal 1975. Indirect costs to administer the program have also grown and amounted to \$4.3-million in fiscal 1975. Another problem is the inadequacy of the existing data processing system in terms of meeting the requirements of the federal Medicaid Management Information System (MMIS).

Proposed Approach: North Carolina and Texas have both contracted with private corporations to administer their Medicaid programs in total. In North Carolina, the firm will run the Medicaid program for 26 months on a fixed-cost risk basis. Basically, this means the company must pay any excess costs, but will retain 25% of the money it saves. In Texas, a premium rate has been established between the state and the contractor with charges being reviewed periodically by actuaries of both parties. Assuming a private corporation could meet its contractual commitments, the following benefits would be realized by the state if some type of similar approach were used:

- Predictable costs to the state for the contract period with some control over the increasing administrative expenses.

- A potential saving if the contractor's system is efficient. This could be used to improve existing fee schedules or utilized in other areas. Many fees have not been changed since 1968. Use of savings to provide more realistic rates could induce greater participation by providers, resulting in a more effective program without additional cost.

Implementation Strategy: The deputy secretary, Mental Health, should appoint someone in the Bureau of Medical Assistance to review and evaluate existing programs in other states which use private contractors. By September 1976, the state should be in a position to evaluate whether the private corporation approach is superior to the proposed redesign of its own medical assistance system which should then be well under way.

STATE MENTAL HEALTH AND MENTAL RETARDATION INSTITUTIONS

The Department of Public Welfare operates 20 state hospitals for the mentally ill and 11 schools and hospitals for the mentally retarded. The Mental Health/Mental Retardation (MH/MR) budget for fiscal 1975 was $405-million. Of this amount, $287-million was state funds. During the past 10 years, institutional populations have decreased from about 48,000 to 26,000. This is in line with the trend toward deinstitutionalization initiated by the 1966 Mental Health/Mental Retardation Act. It authorized establishment of a wide range of services for the mentally disabled at the community level. Staff levels, however, have increased during the period from 20,400 to 25,500.

RECOMMENDATIONS

147. Develop a comprehensive MH/MR plan which specifies facility consolidations within the service framework mandated by the MH/MR Act.

Under the MH/MR Act of 1966, the state is committed to developing — in cooperation with its communities — a mental health and mental retardation care system which provides a total spectrum of services. However, there have been many delays in the actual realization of this system. A major roadblock has been the disproportionate flow of human and dollar resources into the institutional component of available service facilities. As an example, the fiscal 1975 appropriation provided $403-million for MH/MR institutions while furnishing only $83-million for county-operated programs and services.

Proposed Approach: The department secretary should assign top priority to the development of a concise plan to specify cost effective consolidation and utilization of state-operated institutions. It should be consistent with the framework established by the MH/MR Act of 1966 and contribute to the state's program to provide a total spectrum of adequate services at an affordable price. The proposed plan should include the following objectives:

- Consolidate MH/MR operations with the best physical and program resources.
- Achieve full utilization of necessary institutions.
- Phase out and dispose of obsolete and marginal facilities promptly.
- Develop a common funding stream for state and community programs and apply a substantial portion of the resources saved in institutional consolidations to the development of community programs.
- Budget to meet long-range program objectives based on a total project life cycle.
- Develop a program to facilitate transfer of trained institutional personnel into county programs.
- Establish an appropriate statewide balance between the geographic distribution of persons requiring services and the programs, facilities and services available to meet those needs.

A component plan should be developed for each of the department's four administrative regions. The components should define all the necessary decisions to be made and the steps to be taken in accomplishing specific regional objectives. Major benefits will be realized in terms of improved care and treatment for those individuals who require MH/MR services. Development of alternative types and levels of service and care at the community level should substantially reduce the requirements for long-term confinements and, as a result, could lower the institutional population dramatically. Some 18 of the recommendations which follow represent integral parts of the proposed comprehensive program. Specific savings have been included with the individual recommendations. The overall amount is estimated at more than $30-million annually with a one-time benefit of almost $90-million.

Implementation Strategy: The successful implementation of a comprehensive MH/MR system will depend on the development of a master plan. It must clearly define feasible consolidations, tasks to be performed and schedules to be met. Accurate cost estimates and budgets must also be provided. The secretary, Department of Public Welfare, should have a master plan completed within three months.

148. Combine the annual budget appropriations for all of the institutional and community MH/MR programs.

The state's program for improving the care of the mentally ill and mentally retarded has not moved as quickly as desired. There needs to be greater emphasis placed on developing community-level facilities. However, state institutions must still be funded. While the two activities should not be mutually exclusive, the current separation of budgets makes it difficult to increase activity in one area while maintaining adequate funding for the other. A combination of appropriations would enhance the ability of the Department of Public Welfare to distribute financial assistance in a way which would make optimum use of available MH/MR programs.

Proposed Approach: Budget allocations for state institutions and community services should be combined into a common funding stream. The total budget would be submitted to the General Assembly for approval. A detailed backup budget would be provided to earmark funds for existing community services, proposed programs and prospective eliminations of institutional facilities. Implementation will require overall planning on a regional basis to provide an appropriate balance between institutionalized patients and clients in community programs.

Implementation Strategy: The secretary, Department of Public Welfare, would provide the General Assembly with an overall MH/MR budget. This should be augmented by a detailed plan to distribute funds in a way which will encourage development of additional community activities and phase down of unnecessary institutional activities.

149. Establish a procedure to transfer state MH/MR employees from state to county programs.

Department activities are geared to a gradual increase in community-level mental health and mental retardation programs accompanied by a phasing down and consolidation of state institutional operations. There would be several advantages including lower administrative costs, county participation in funding and increased program effectiveness. However, there has been much opposition by state employees to the idea of moving into county-level positions. Although great resistance has come from the unions, there is also a good deal of support for preservation of state jobs from legislators, local interests and other lobbies.

Proposed Approach: In order to expand community programs in a logical fashion, the department must develop a master plan which will include procedures for moving state employees into county-level positions. It must work with appropriate state agencies, such as the Office of Administration, the Civil Service Commission and others, to develop detailed methodology and appropriate regulations to accomplish this objective. The principal benefit will be the improved effectiveness of the state's MH/MR programs. Of course, the plan must be sufficiently flexible to accommodate varying community and employee needs. Retraining will be necessary at the county level.

Among the points which should be considered in developing a transfer program are the following:

- To qualify for new funds, counties could be required to hire experienced state institutional employees in preference to staff from other sources.
- To ease the financial burden on the counties, the state could subsidize additional employment costs on a sliding scale for a three-year period. Employees would retain the right to transfer back to available state jobs without loss of seniority or other rights for these three years. Program savings because of increased county activities could be used to fund this activity.
- To assure that the state transfers available trained staff, employees added to its payroll once the program was implemented would not qualify for mandatory county program consideration.
- To encourage transfers, the state should fund county retraining programs.

Implementation Strategy: With the support of the Governor, the secretary, Department of Public Welfare, should develop a master plan in cooperation with appropriate state agencies. Having established a viable methodology, the department should actively seek cooperation from all parties concerned. Goals should be established and implemented in regard to the number of people to be transferred on a yearly basis.

150. Eliminate the current boundary defining of regional and catchment areas for state MH/MR institutions.

The Department of Public Welfare has established a complex set of regional boundaries and local county catchment areas to be used in assigning patients to state MH/MR institutions. These arbitrary restrictions limit the flexibility of admissions, transfers and discharges in regard to institutional populations. The procedure results in an additional obstacle to the rebalancing and consolidation of institutional services on a statewide basis.

Proposed Approach: In order to increase the department's ability to phase out excess MH/MR facilities, the artificial boundaries which have been established for placements in state MH/MR institutions should be elimi-

nated. This approach would not apply to regional concepts employed in other department programs. Implementation would facilitate adoption of the department's comprehensive plan for MH/MR programs. The plan should include priorities for population placements.

Implementation Strategy: The department secretary should take immediate executive action to eliminate or relax current regional boundaries and catchment areas for MH/MR institutions. This should be done concurrently with efforts to rebalance facility populations.

151. Fund privately owned MR interim-care facilities as a part of the human services delivery system.

Private interim-care facilities have been developed as part of the variety of residential services available to the mentally retarded. In April 1970, the state authorized a flat reimbursement rate of $11 per day for each patient in such facilities. This is inadequate, but additional costs were being absorbed at the county level. However, the inability of the counties to continue their support has caused them to remove patients from these facilities and transfer them to state-owned institutions. This will work against the state's objective to improve the MR care program and will result in higher costs to taxpayers.

Proposed Approach: To meet current costs and provide desirable improvements, estimates are that a per diem of $18 to $25 is required by interim-care facilities. The present rate should be raised to an appropriate level to be determined by the department on the basis of a thorough evaluation. Thus, the state will have recognized these facilities as a viable option in the human services delivery system. The annual cost is projected at $5.73-million on the basis of an arbitrary $21.50 rate assumed for calculation purposes only. However, based on per diem costs of $49 for institutional residency, the potential annual future cost avoidance will be approximately $12.8-million by preventing further county patient transfers. Since this benefit is of a potential nature, it is not being claimed for this recommendation. The increased cost, however, is being charged.

Implementation Strategy: The secretary, Department of Public Welfare, should submit a proposal to the Governor for the increase in interim-care subsidies. The department's Bureau of Fiscal Management would be responsible for developing data in regard to determining an appropriate rate. Subsequent rate adjustments should be reflected in future department budgets.

152. Transfer patients and staff at Somerset State Hospital to other institutions.

Somerset State Hospital has a low utilization rate and is located within 70 miles of four other institutions which are capable of abosrbing both patients and staff under a phase down plan.

Proposed Approach: Patients and appropriate staff should be transferred to Mayview, Woodville, Torrance and Hollidaysburg State Hospitals. This would improve overall utilization and provide significant savings in several areas. The phase-down would provide an annual saving of $1.43-million in state and $1.12-million in federal funds. There would be a one-time cost avoidance of $1.75-million by eliminating the necessity of bringing Somerset into conformance with Life Safety Code standards. Security and land maintenance would require a yearly expenditure of $100,000 while the transfer would require a one-time cost of $492,000. Therefore, the net annual benefit to the state will be $1.33-million. An admissions and diagnostic unit would be retained at Somerset until alternate facilities could be provided at the community level.

Implementation Strategy: The deputy secretaries, Mental Health and Mental Retardation, should develop and coordinate a plan to phase-down Somerset State Hospital and disperse its patients and staff to appropriate institutions. The plan should be completed within two months and implementation should commence within another four months. Implementation responsibility should be assigned to the deputy secretary, Central Region.

153. Transfer residents and staff at Laurelton State School and Hospital to Selinsgrove.

The state is currently operating an excessive number of MR institutions. The facilities at Laurelton were designed for ambulatory residents who could, for the most part, care for themselves. However, the current resident population is of the type which requires considerable staff care. The 15 small and physically separated living units at Laurelton are inappropriate for such residents. As a result, an excessive staff complement is required and the daily per-patient cost is $53.04. The Selinsgrove State School, which has a comparable patient population, but more appropriate facilities, spends only $37.45 per day for patient care.

Proposed Approach: As Selinsgrove is an underutilized facility only 40 miles from Laurelton, a phase-down and dispersal plan should be developed to transfer residents to this more modern facility. It should be set up for a five-year period during which the severely retarded would be moved to Selinsgrove and Laurelton would serve as a half-way house for residents from both institutions who are ready for community placement. Within five years, it should be possible to close all operations at Laurelton. Implementation would require a one-time expenditure of $122,000. The annual saving would amount to $3.1-million in state and $2.1-million in federal funds. There

would be a one-time cost avoidance of $1.7-million by eliminating the necessity for planned renovations to meet the Life Safety Code requirements.

Implementation Strategy: The deputy secretary, Mental Retardation, should develop a five-year plan to phase down and subsequently close Laurelton. It should be coordinated with the proposed master plan for utilization of state MH/MR facilities. Implementation would be the responsibility of the deputy secretary, Central Region Mental Retardation. If Laurelton could be utilized as a Youth Development Center, plans in regard to the phase down should be accelerated.

154. Phase down South Mountain Restoration Center.

South Mountain is a facility for the care of mental patients over 65 who no longer require psychiatric treatment. It is not meeting its mandated objective of providing for an early return of patients to the community. Also, the institution is located in a remote, sparsely populated area which is inconvenient for vendors, staff, patients and visitors. This inaccessibility contributes to staffing and operational cost problems. More importantly, it hinders community placement of patients, thus preventing their successful return to noninstitutional living.

Proposed Approach: Since South Mountain is not meeting its objective, but is functioning as a high-cost, long-term nursing home for the aged, the center should be closed as soon as other suitable nursing home facilities become available. However, it must be emphasized that the institution cannot be closed until community facilities are in operation. MH/MR institutions should continue to provide treatment, so far as is possible, to prepare their patients for community living and to make suitable placements in local facilities. Many of the hospitals are located in or near the more densely populated areas of the state. It is reasonable to assume these hospital staffs, in cooperation with their regional and county offices, could place patients in suitable community facilities more readily than could be accomplished from the remote location of South Mountain.

Placement of current patients in skilled nursing and intermediate care facilities would result in a one-time expenditure of $1.85-million in state funds. This would be partially offset by a one-time cost avoidance of $1-million. There would be an annual cost of $100,000 in state funds. However, elimination of the South Mountain operation would provide an annual saving of $2.27-million in state and $1.52-million in federal funds at current expenditure levels. The net annual benefit to the state would be $2.17-million.

Implementation Strategy: The deputy secretary, Mental Health and Medical Services, and the executive deputy secretary, Operations, should prepare a program to intensify expansion of private sector nursing facilities in sufficient numbers to meet the needs of MH/MR hospitals. The program should be ready for review by the secretary, Department of Public Welfare, within four months. Plans to phase down operations at South Mountain should be put into effect immediately with a goal of closing the center in two years.

155. Close all of the obsolete and unneeded MH/MR institutions.

Many of the state's MH/MR institutions were built more than 50 years ago when the philosophy of patient care was different from what it is today. In some cases, residence buildings will require extensive and costly changes to meet standards established by the Life Safety Code. Even with renovations, the majority of the structures will still not be suited to modern rehabilitative programs. However, a continuing trend toward deinstitutionalization and development of more community programs have caused underutilization of facilities in more modern institutions. While the Department of Public Welfare has taken some steps to phase out obsolete institutions in favor of improved utilization of newer ones, various pressures from union and community groups have halted progress toward this objective.

Proposed Approach: A comprehensive plan to redistribute MH/MR patients has been suggested in another recommendation. As part of this program, some of the institutions which would require extensive renovation should be closed. This should be done under a coordinated approach as other institutional and community facilities are made available. In addition to the three institutions identified for closing in other proposals, at least three others should be closed. Possibilities might be Dixmont, Cresson and Hamburg.

Implementation would provide an annual saving of approximately $6-million in state and $6.5-million in federal funds. A further benefit would be improved staffing ratios in the remaining institutions through reassignments of professional personnel. This will enhance the department's overall ability to qualify for federal medical assistance payments, thereby increasing the potential income to the state.

Implementation Strategy: The deputy secretaries, Mental Health and Mental Retardation, should develop a program to identify and phase out obsolete and unneeded facilities in accordance with the comprehensive regional facility plans. An aggressive approach to developing community programs and renovating usable residence buildings could bring about accomplishment of this objective within three years.

156. Unify management responsibilities for the Southeastern State School and Hospital, increase the client population and reduce operating costs.

Operational responsibilities for Southeastern, or Woodhaven as it is more commonly known, are divided between the superintendent and Temple University. The superintendent handles administrative functions and the university provides program direction and client selection and care. This management approach has resulted in several problems:

- Underutilization — The facility has a rated capacity of 309 beds, but delays in making facility modifications have held the admissions level to 157.
- Excessive Operational Costs — The annual resident cost is $52,000 per patient including research. The average for all MH/MR institutions in fiscal 1975 was $18,000 per patient. The major cause is the excessive level of professional and client care staff — 337 persons serving a population of 157.
- Overselectivity in Client Admissions — Although profoundly retarded and physically handicapped retarded individuals have the greatest need for institutional care, none have been admitted to this facility.
- Service Inadequacies — Because of the division of responsibilities, several areas do not receive attention from either the superintendent or the university.

Proposed Approach: The total management responsibility should be assigned to the hospital's superintendent. Once this is accomplished, steps should be taken to increase the patient population to full capacity — 309 residents and 100 day care clients. The present agreement with Temple should be discontinued. However, professional services and educational programs which would benefit the hospital should be retained or secured through normal procurement procedures. Transfer of residents from Pennhurst as a means of accomplishing this should be given priority consideration. Direct care employees who attend these patients should also be transferred. Excess personnel levels should be reduced in order to achieve an annual operating cost of $18,000 per patient. University personnel should be replaced by state employees during a proposed one-year transition period. It is anticipated that the total personnel required to operate this facility would be 406 in order to meet accreditation standards. The annual savings to be realized would be $1.75-million. An annual cost avoidance would total $1.29-million. Federal medical assistance payments would be increased by $1.24-million because of increased patient populations. There would be a one-time cost of $620,000 to terminate the university contract.

Implementation Strategy: A transition phase of one year will be required to replace university personnel with a reduced level of state employees. This activity will require careful coordination between the university and the institution to gradually introduce staff and expanded patient populations into the facility. Implementation will be the responsibility of the department secretaries.

157. Take immediate steps to bring Embreeville State Hospital up to full utilization.

Embreeville has two separate operations, one for mental health and one for mental retardation activities. Each has its own professional staff and separate buildings. The utilization ratio for the mental health facility is 55% while that for mental retardation activities is 79% for an overall average of 66%. The reason given for the low mental health utilization is rapid patient turnover due to advances in medical treatment. Several studies have been made in regard to future uses for the hospital. One recommended phasing out the mental health operations and converting Embreeville into a state school and hospital for the mentally retarded. Another suggested converting some of the mental health facilities to skilled nursing care centers for aged patients and establishing intermediate care capabilities for patients requiring only 60 to 90 days of psychiatric treatment. Facilities are in good condition and qualify for a high percentage of federal medical assistance payments. In fact, the empty beds at Embreeville have higher potential for federal funding than many occupied beds at other state institutions such as Pennhurst, Philadelphia Hospital and Norristown.

Proposed Approach: The Department of Public Welfare should develop a definitive plan for complete utilization of Embreeville. It should consider the following alternatives as components of the approach:

- Convert certain mental health buildings to skilled nursing or intermediate care facilities.
- Transfer 72 residents from Pennhurst to the Meadowview building.
- Phase out the mental health operations while bringing Embreeville up to full capacity as a mental retardation facility by transferring 500 residents from Pennhurst.

Overall, the plan should provide for the highest possible level of MH/MR care consistent with the most efficient use of the facilities. Because of the hospital's qualifications for federal assistance, increasing the utilization ratio will provide an additional annual income of close to $1.86-million.

Implementation Strategy: The secretary, Department of Public Welfare, must define requirements, assign respon-

sibilities and set completion dates in order to develop a plan for optimum use of the Embreeville facilities. Implementation should be completed by the end of fiscal 1977.

158. Establish Eastern Pennsylvania Psychiatric Institute as a private facility.

Eastern Pennsylvania Psychiatric Institute is a state facility as compared to Western Psychiatric Institute and Clinic which is a privately based institution attached to the University of Pittsburgh. Capacities, responsibilities and utilization ratios are approximately the same for both. The major difference is that Eastern derives the bulk of its funding — $9.9-million — from the state while Western relies heavily on private sources and community funds in addition to state subsidies. As a result, the state's payment to this facility is only $3.5-million per year.

Proposed Approach: Eastern Pennsylvania Psychiatric Institute should be structured as a private, university based institution and funded on a basis comparable to Western Psychiatric Institute and Clinic. This would be accomplished over a three-year period. During this time, state subsidies would be reduced by an increased amount each year and the institute would be required to develop alternate funding sources. In addition, the state's Bureau of Research and Training should be transferred from the institute to Harrisburg. Annual savings should be at least $3.2-million.

Implementation Strategy: The department secretary should sponsor legislation to alter present funding methods for the institute. Concurrently, the deputy secretary, Mental Health, should prepare a detailed plan to implement organizational changes and transfers of state employees. This phase of the program should be complete within three months. Future department annual budgets should reflect the appropriate reductions in funds.

159. Phase out remaining drug and alcohol units at mental health institutions.

There are approximately 88 patients being treated in drug and alcohol units at four mental health institutions. Equivalent care at lower cost could be provided from local sources.

Proposed Approach: During the past two years, nine similar units have been phased out and locally provided treatment has been more effective and economical than that offered by the institutions. Community level treatment also qualifies patients for federal medical assistance payments. Closing the four remaining units would provide an annual saving of $336,000. Additional federal augmentation may also be realized.

Implementation Strategy: The Governor should authorize the department secretary and the executive director of the Governor's Council on Drug and Alcohol Abuse to prepare an implementation plan within 90 days. They would also be responsible for arranging suitable community-level treatment alternatives.

160. Transfer responsibility for the operations and patients of the Mayview Outpatient Clinic from Mayview to Allegheny County.

Mayview State Hospital which is located in Bridgeville operates an off-premises outpatient clinic in Pittsburgh at an annual cost of approximately $187,000. This facility is funded completely by the state although governing legislation requires that the counties provide outpatient care and pay 10% of the cost. The patients do not receive the full scope of services under Mayview operation that would be available through the county program.

Proposed Approach: The outpatients now cared for at Mayview should become the responsibility of the county as mandated by law. There are three alternatives for achieving this goal. Under the first option, responsibility for Mayview's clinic would be turned over to Allegheny County and existing staff retained. In this case, the operating costs of the clinic would be subtracted from the hospital budget and turned over to the county less the 10% to be paid by the county. The drug expenses should also be subtracted from this state subsidy since Mayview could supply medications at cost until the existing patient load is eliminated.

A second alternative would allow the county to staff the clinic while the hospital absorbed existing personnel. Mayview would then have to make commensurate reductions in overall employment levels and budget.

The third option would be to have the 650 patients now served by the clinic turned over to the county for treatment through base service units. Again, clinic staff would be absorbed by the hospital after appropriate employment and budget reductions. The state would provide the county with a 90% subsidy. Whichever alternative is chosen, the state will realize an annual savings of at least 10% or $18,700 based on current expenditures. In addition, patients will have the scope of services expanded to include 24-hour emergency care, in-patient services, partial hospitalization or day care, community consultation and evaluation, children's services and drug and alcohol programs.

Implementation Strategy: The deputy secretary of the western region should authorize closing the clinic within six months. The regional commissioner, Mental Health, the superintendent of Mayview and the county MH/MR administrator should decide upon the best method of

alternative care and establish a time schedule. The superintendent of Mayview should implement a procedure for providing drugs for the transferred patients to the county at cost.

161. Eliminate the legal requirement that the superintendent of a state mental health institution be a licensed physician.

Existing legislation mandates that the director or superintendent of a state mental hospital be a licensed physician. This requirement has been eliminated for superintendents of institutions for the mentally retarded. There are no meaningful provisions in relation to administrative skills for these positions despite the fact that this is the major area of job emphasis. A shortage of qualified physicians and psychiatrists has made it difficult for many of the institutions to attract and retain such personnel to fill medical positions.

Proposed Approach: Appropriate legislation should be enacted to eliminate the requirement that superintendents of state mental hospitals be licensed physicians. This will enlarge the choice of administrators available to the institutions and permit them to concentrate on obtaining personnel with needed business skills. The Public Welfare Code should also be amended to permit regional deputy secretaries to recommend suitable candidates for these positions. State commissioners would then serve only as advisors to the department secretary regarding appointments. A similar amendment should be enacted to place the trustees of the institutions in an advisory role to the regional deputy secretaries.

Introduction of business-oriented hospital administrators should improve the cost-effectiveness of overall facility management significantly. In addition, this would eliminate the need to divert trained physicians and psychiatrists into predominately administrative activities. Although no specific savings are claimed, the potential for economy is substantial. The overall budget for state MH/MR institutions is just over $400-million annually. Implementation of other recommendations should decrease this amount by $50-million. This will reduce the state fund portion of the budget to approximately $250-million annually.

A qualified hospital administrator should be able to reduce institutional payrolls and operating expenses by at least 2%. At a funding level of $250-million, an annual saving of $5-million would be achievable without any adverse effect on institutional care. These estimates are based on comparable industry experience.

Implementation Strategy: The department secretary should authorize drafting of appropriate legislation for submission to the General Assembly. Any department regulations pertaining to this subject should also be revised. The department, the Civil Service Commission and the Office of Personnel should establish suitable criteria for hospital administrative positions.

162. Eliminate unnecessary telephone operator functions at MH/MR institutions.

At present, 141 telephone switchboard operators are utilized by MH/MR institutions on a three-shift basis. In facilities with PBX switchboards, superintendents have restricted the use of direct dial-out capabilities so that only 10% of the phones are used to dial outside numbers. In addition to placing most outside calls and transferring all incoming ones, operators also keep records of toll charges. In some cases, the individual placing the call keeps a similar record.

Proposed Approach: Several changes should be instituted to reduce overall telephone system operating costs:

- Expand the use of direct dial-out capabilities.
- Identify departments responsible for the majority of outgoing calls and make department heads responsible for proper use of phones within their areas.
- Eliminate operator verification of toll call charges.
- Do not use switchboard operators on the second and third shifts. Provide an emergency number for incoming calls during those hours. Security personnel could handle these with no security staff increase.
- Establish a list of clerical personnel to provide operator backup during day shifts for relief and break periods.

Implementation would result in estimated potential annual costs of $81,200 in the form of additional toll costs. However, a reduction of 78 operators would be possible for an annual saving of $702,000 for a net annual benefit of about $621,000. Once accomplished, an analysis of each institution's needs should be made to determine which facilities would qualify for Centrex systems.

Implementation Strategy: The executive deputy secretary, Management Services, should assume responsibility for accomplishing the proposed changes within a two-month period.

163. Evaluate the effectiveness of research projects at state MH/MR institutions.

Varied medical and program research projects are being conducted at nine state mental hospitals and three schools for the retarded. However, little control or monitoring is done by the Department of Public Welfare to evaluate results of these activities. At most, the department is aware that research is being done, but no signifi-

cant efforts are made to review progress, monitor achievements, eliminate marginal projects or effectively utilize results of worthwhile projects. Also, statistical research involving patient data is being performed at several institutions with little, if any, coordination of similar efforts being performed at the state level.

Proposed Approach: The deputy secretaries, Mental Health and Mental Retardation, should implement procedures to ensure that all research projects are coordinated, reviewed and evaluated regularly. Steps should be taken to identify and discontinue programs that are unnecessary, redundant or which do not produce worthwhile results. Consideration should be given to concentrating research activities within a limited number of institutions to provide better control, reduce staff requirements and improve fund and facility utilization. Appropriate program models should be developed to analyze data from the various institutions. Centralizing statistical research will improve the department's planning and policymaking capabilities. Implementation will help improve worthwhile programs. Also, it will provide a means to identify programs which should be discontinued. For example, professional sources within the department have questioned the usefulness of certain medical research projects being conducted at Warren State Hospital. If a department review indicated this program or a similar one should be discontinued, the state would realize an annual saving of $200,000. This amount is not being claimed.

Implementation Strategy: The deputy secretaries, Mental Health and Mental Retardation, should require research coordinators within the department to evaluate all ongoing projects on a regular basis. They should be assisted in this effort by the committee proposed in another recommendation in this section to monitor training and education programs for institutional patients. The department should also make an effort to delineate various types of research — organic, theoretical, clinical and the like — and assign such activities to appropriate institutions. Staffing levels should be examined and reduced to optimum levels. In addition, the program offices in Harrisburg should develop more effective computer systems to evaluate patient data provided by the institutions.

164. Establish controls to monitor the effectiveness of recreational, vocational and occupational therapy programs in state MH/MR hospitals.

Each institution has its own program for developing and administering recreational, occupational and vocational therapy. Inherent problems include lack of direction and control from the respective central program offices, poor scheduling of institution activities and questionable patient participation. Without a standardized means to control and monitor these activities, the state has no way to gauge the effectiveness or utilization of its efforts. One of the major problems appears to be the absence of recreational programs on weekends and in the evenings when patients are inactive and custodial care needs are at their highest level. Programs appear to be operated for the staff's convenience.

Proposed Approach: A plan should be established to accomplish the following:

- Consolidate recreational, occupational and vocational programs under a single administrative position at each institution.
- Develop specific guidelines for the institutions regarding operation of these programs.
- Establish positive controls to monitor the success, cost and patient participation levels of the activities.
- Revise work schedules of recreational staff to include weekends and evenings.
- Review all requests for associated capital equipment expenditures, paying careful attention to proposals for specialized equipment.
- Establish adequate canteen facilities with operators paying equitable rents to the institutions for their use of the premises.

Implementation should improve patient participation and response to program activities possibly reducing the treatment cycle. In addition, fewer personnel would be required to administer consolidated programs and utilization of buildings and equipment should also improve. Finally, this approach would eliminate duplicate program development expenditures.

Implementation Strategy: The secretary, Public Welfare, should instruct the deputy secretaries, Mental Health and Mental Retardation, to accomplish the following within six months:

- Establish criteria for the operation of all vocational, occupational and recreational therapy programs in their respective areas.
- Inventory all of the equipment and the space used in the activities.
- Audit existing programs to establish their level of effectiveness.
- Develop a monitoring and control system to provide meaningful data on operations.

Once this is accomplished, the regional deputy secretaries would be responsible for implementing all aspects of the monitoring and control system within three

months. This would include compliance of the system to criteria established by the various program directors. Quarterly reports should be issued as a means of reviewing and upgrading the programs.

165. Maintain centralized control over training and education programs for the patients at the state institutions.

Because of the lack of centralized direction, the quality and content of training and education programs at individual institutions varies greatly. There is little interchange of data among the institutions and no monitoring of progress by the department.

Proposed Approach: The deputy secretaries, Mental Health and Mental Retardation, should establish procedures to monitor and coordinate program activities at the institutional level. Activities should be evaluated in terms of their effectiveness and benefit to the patients. Successful procedures should be introduced where applicable throughout the system. Implementation will improve the overall effectiveness and efficiency of training and education efforts within the institutions.

Implementation Strategy: The deputy secretaries, Mental Health and Mental Retardation, should appoint separate committees made up of professionals in the mental health and mental retardation fields to monitor and evaluate institution programs. This expertise is currently available in the department. The deputies, regional commissioners, committee members and institution program directors should meet regularly to review activities and discuss problem areas and requirements.

166. Extend the intensive resident training program for self-feeding to all MR institutions.

Some 75% to 85% of the mentally retarded residents in state institutions are in the severe to profound classifications. Most must be fed by an aide at an estimated out-of-pocket cost of $600 per year per resident. A program has been established at Ebensburg to provide intensive training to residents which will enable them to feed themselves. Results have been extremely good.

Proposed Approach: The program should be extended to all MR institutions following the model which has been established at Ebensburg. Assuming a minimum of 2,000 residents could benefit from the program and that the salary of one aide could be saved for each 15 trained residents, the annual saving would amount to $1.2-million. The one-time cost of the training would be $43,000.

Implementation Strategy: The secretary, Department of Public Welfare, should authorize the program extension. The deputy secretary, Mental Retardation, should supervise and coordinate the training program. Actual training should be conducted in the other institutions by the Ebensburg team.

167. Provide monetary incentives to induce the private sector to meet care needs for all patients who no longer require or need state mental health institutionalization.

Sufficient community resources are not available to render service to patients who could qualify for such care. As a result, they must continue to be treated in state mental health institutions. Using data developed by the Department of Public Welfare, it appears that 3,000 institutional patients could qualify for treatment in community level facilities while 1,300 could function in skilled nursing or intermediate care centers. Unfortunately, necessary private sector resources are not available.

Proposed Approach: To determine the types of facilities required, the 15,000 patients in state institutions should be classified according to the level of care needed. The state should then develop a payment schedule commensurate with each level. Payments in accordance with the schedule could be used to provide an incentive to private sector sources to develop required facilities. It would be necessary to develop an efficient system to process necessary applications and a monitoring program would also be needed to review patient care levels. Low-interest loans might also be offered to induce the development of skilled nursing facilities and intermediate care centers. Bond issues are already permitted to finance physical improvements to existing nursing homes. A similar incentive program could be utilized in regard to mental retardation facilities. At a per-patient daily cost of $44 in state institutions, increased community support through private sector resources could provide an annual saving of $5.12-million in state and $1.7-million in federal funds. These data are based on department projections resulting from the Northeastern Pilot Project.

Implementation Strategy: The deputy secretary, Management Services, should determine the number of patients in each level of required care and an appropriate payment schedule. A plan should be developed to encourage community level development activities augmented by required application and monitoring systems within the department. If initial development costs are found to be a barrier, legislation should be introduced to provide low-interest loans to encourage construction of required facilities.

168. Inspect and license all MH/MR programs provided by various facilities in the state.

For the most part, community MH/MR facilities are privately owned, but funded by the state through various county contracts. Therefore, it is the responsibility of the

state and the counties to ensure that adequate physical facilities, staff and programs are being provided. The Department of Labor and Industry inspects physical aspects while the Department of Environmental Resources checks for proper sanitation. However, program effectiveness — the most important aspect — is not monitored. At present, there are no uniform standards in regard to private facility programs.

Proposed Approach: The Department of Public Welfare should establish program standards and regulations for each type of private facility serving the mentally ill or retarded. Compliance would be monitored through an annual inspection and licensing activity. Fees charged should be adequate to recover costs. Although it is the responsibility of the county administrators to oversee community facilities on a day-to-day basis, the state should institute procedures to review their activities in monitoring these programs. Contracts with private providers should be evaluated regularly and all provisions strictly enforced. This proposed activity should be administered at the regional office level. Implementation will ensure that effective and appropriate treatment programs are being provided at the community level.

Implementation Strategy: The department secretary should request enabling legislation. The deputy secretaries, Mental Health and Mental Retardation, would be responsible for promulgating required regulations and standards. Regional commissioners would be required to implement an effective inspection and licensing activity in line with established objectives. The program should be operational within 18 months.

169. Reduce the number of cost centers in state MH/MR institutions.

Various institutional cost centers are identical in treatment programs or types of patient. However, physical or geographical separations have determined that they be identified as separate cost centers. One institution has at least 61 cost centers. This requires additional recordkeeping and increases the burden of cost center data in the accounting system.

Proposed Approach: The department should reduce cost centers at state MH/MR institutions to a meaningful number, based on the care and treatment programs being administered. Consolidating them to an estimated maximum of 20 to 24 centers will streamline administrative procedures and increase overall efficiency. Implementation will also assist in increasing the effectiveness of other proposed changes.

Implementation Strategy: The deputy secretary, Management Services, should implement a program to reduce existing cost centers to an appropriate level.

170. Install a performance standards accounting and reporting system for all of the state MH/MR institutions.

Fiscal 1976 expenditures are estimated at $275-million for the 20 institutions for the mentally ill and $165-million for the 11 schools for the retarded. This represents a cost of $47.48 per patient day in MH facilities and $49.40 per patient day in MR institutions. Using fiscal 1967 as the base year, expenditures have increased 565% in MH facilities on a per diem basis and 611% in MR institutions. The change in program emphasis and upgrading of institutional standards is partially responsible for the increase. However, lack of objective performance standards is another important factor. This, in addition to discrepancies in staff ratios and individual per diem costs, indicates the need for a system which can provide objective information on personnel levels and operating expenditures in the state's institutions.

Proposed Approach: A uniform accounting and reporting system should be established to provide objective criteria for measuring institutional operating costs. The first step would be to compare expenditures among institutions for each major cost center on a unit basis. This would highlight areas where expenses were above normal. Next, the reasons for such discrepancies would have to be identified by having all institutions report the same cost elements for each cost center, using identical units of service as a basis. Finally, institutional operations would have to be analyzed to establish standards for measuring and controlling expenses in each cost center.

Implementation would improve the quality of data available on institutional operations and establish guidelines to determine optimum budget and staffing levels. The system would also provide a methodology to identify service requirements and the resources needed to supply them. Excess expenditures, based on an established median for MH/MR facilities, are estimated at $29.5-million for fiscal 1976. Utilizing the proposed accounting and reporting system should permit a 20% saving in these expenditures by identifying potential personnel and operating expense reductions. The total saving would be $5.9-million per year, of which $4.4-million would be state and $1.5-million federal funds.

Implementation Strategy: The secretary, Department of Public Welfare, should authorize the Bureau of Fiscal Management to design and implement the proposed accounting and reporting system. Implementation would be the responsibility of the deputy secretary, Management Services. System design and installation should require a maximum of 15 months. Staff reductions to proper levels should be realized through attrition, transfers, terminations and retirements within two years.

171. Charge prices in each employee cafeteria sufficient to recover costs of operating the facility.

Prices in institutional employee cafeterias are based on the cost of raw food plus 50%. They are computed by determining statewide costs for each item, adding 50% and rounding to the nearest nickel. Since uniform prices are charged, the figures are updated quarterly. However, certain variables make this procedure inequitable and result in operating deficits. One of the factors is the variance in raw food costs paid by the MH/MR institutions because of location, size or market factors. Studies show a range of $0.31 to $0.80 per meal. Similarly, there are significant differences in institutional expenditures for salaries and food preparation expenses. These currently average 171% of raw food costs with a range of 85% to 434%.

Proposed Approach: To put the cafeterias on a self-sustaining basis, a detailed comparison should be made of prices paid during one quarter at each of the 31 MH/MR institutions. A number of items in common usage should be included in the sample and a decision made as to whether pricing can be set on a regional basis. It may only be possible to establish equitable charges on an individual basis for each institution.

A similar comparison should be made to establish the ratio of personnel expenses to raw food costs by institution and region. Based on these determinations, a decision should be made to establish prices either by institution or by region. The prices would have to reflect raw food costs plus a suitable charge for wages and fringe benefits. At present, some 2.2-million meals are served annually at an estimated loss of $0.53 per meal. Realistic pricing should eliminate current annual losses of $1.16-million. If prices are found to be noncompetitive with cafeterias or restaurants in the immediate area, the food operations should be discontinued and vending machines substituted.

Implementation Strategy: The secretary, Public Welfare, should instruct the deputy secretary, Management Services, to:

- Determine a method for establishing employee cafeteria prices which will make such operations self-sustaining. This should be done within 30 days.
- Revise the department's procedures manual to reflect these changes within the following 30-day period.
- Issue revised price lists to cafeteria operations during the subsequent 30-day period.
- Discontinue operations which cannot compete with local restaurants and arrange for vending machines to be installed.

172. Close and demolish obsolete buildings at state MH/MR institutions.

Many state institutions were built more than 40 years ago when the philosophy of patient care was significantly different. As a result, the buildings are both physically old and unsuitable for today's rehabilitation programs. In order to qualify for federal medical assistance grants, state institutions must conform to certain safety and staffing standards. To bring all institutional buildings, including many that are obsolete, into conformance with these regulations would require an expenditure of about $60-million. Because patient populations are on the decline, a number of newer buildings are underutilized. Many of these can qualify for federal medical assistance grants.

Proposed Approach: The department should redistribute patients to appropriate institutional and community facilities in order to close buildings which will not be required within a three-year period. This will make older institutions more manageable in terms of physical plant operations and resident populations. Staffing can then be adjusted to optimum levels. In addition, moving patients to more modern facilities will provide improved surroundings and increase the state's participation in federal assistance grants. Also, there is an estimated potential cost avoidance of $10-million through eliminating the need to renovate obsolete buildings. If a total of 90 buildings were closed, there would be a one-time cost of $4.5-million to demolish them.

Implementation Strategy: The department secretary should undertake the following activities:

- Continue the freeze on implementing federal renovation requirements.
- Review all residence facilities to identify those which should continue in operation and those which should be abandoned.
- Begin repairs and construction work on habitable buildings as soon as possible.
- Encourage community-level program development.
- Transfer residents in obsolete facilities to more appropriate locations.
- Ensure that all new facilities meet federal government requirements.

Overall, implementation of this proposal should require about two years to complete.

173. Request waivers from HEW on certain regulations in the Life Safety Code.

Pennsylvania has adopted the Life Safety Code as its standard for fire protection in institutional buildings

under its jurisdiction. These structural guidelines are also used by the federal government in approving facilities for medical assistance payments. Although the regulations are extremely stringent in themselves, recent interpretations by the regional HEW office have increased the cost of implementing the code significantly. For example, HEW has indicated that any building used by patients — not just residence facilities — must meet code requirements for residential structures. This increases the safety requirements to a level significantly above those established by the Department of Labor and Industry for specific types of functional buildings. The cost of bringing residential facilities into conformance with the code is estimated at $60-million. If all other structures must be included, an additional $32-million in expenditures will be necessary.

Staff costs will also increase since additional partitioning required by the code will segment patients to a greater extent than at present. Engineering personnel in the Department of Public Welfare feel that many of the regulations are excessive and go beyond the limits of reasonable protection.

Proposed Approach: A detailed, well-documented proposal should be presented to HEW explaining the state's position on the code requirements. It should explain what effect complete enforcement would have on patient care and associated costs. The proposal should provide less expensive alternatives to certain requirements and request waivers for those considered excessive. It is difficult to estimate the overall financial effect acceptance of the proposal could have. However, elimination of just one requirement — that all structures meet residential standards — could provide a one-time cost avoidance of $32-million. This takes into account another recommendation which would eliminate obsolete institutional buildings. This is in addition to a $10-million cost avoidance claimed elsewhere.

Implementation Strategy: The Department of Public Welfare will require strong support from the Governor and the Department of Labor and Industry in presenting the proposed request to HEW. The Division of Construction and Maintenance should be asked to evaluate existing buildings and suggest alternative methods for fire protection requirements. It should also provide documentation to support waiver requests. A team should be assembled under the Governor's direction to present the completed proposal to HEW at the regional and federal levels.

174. Eliminate farm operations at state MH/MR institutions and sell the land.

The mission of the state's mental health and mental retardation institutions is to provide the best possible care for patients. However, 18 of these facilities are engaged in large scale farming operations which no longer relate to their rehabilitation programs. At one time, the farms were worked by patients, but for the most part, this is now prohibited by law. The change means that farm activities operated at a deficit of $550,000 in fiscal 1974 and an estimated $750,000 in fiscal 1975. These amounts do not include all the expenditures associated with the farming operations. In addition, as a result of the surplus produced, excessive amounts of milk are included in institutional diets resulting in a great deal of waste.

Proposed Approach: In view of the current and projected losses associated with these farm operations, the Department of Public Welfare should discontinue the program and sell the land. It is anticipated that approximately 20,000 acres would be available for gradual sale. The income from the sale of the land has been claimed elsewhere. However, an additional one-time income of $1.4-million would be realized from the sale of animals and equipment. There would also be an annual saving of $1.78-million by eliminating farm operations.

Implementation Strategy: Over the next two years, the department should work with the Bureau of Real Estate to identify and sell parcels of land now used for farming. Land and inventory should be disposed of in accordance with an established timetable. Milk supplies should be reduced by 40% to eliminate existing waste.

175. Lease unused space in state MH/MR hospitals to state agencies, counties or other government bodies.

Many of these facilities have available space which is not suitable for patient use. The result is that portions of the buildings are either vacant or used for storage. A prime example is the basement area of Haverford State Hospital. It is not used although windows provide natural light and the space appears to be well heated and free from dampness. Neither the department's central office nor the hospital superintendents have taken effective action to improve utilization of such facilities.

Proposed Approach: A system should be established to identify poorly utilized space in institutional buildings. These resources should be brought to the attention of the Bureau of Space and Facilities Management in the Department of Property and Supplies. The bureau could assist in determining optimum use and provide estimates for any renovation that might be needed. In situations where the institution is unable to use the space, the bureau could look for subtenants, either other state agencies or county units. County reimbursements to the state for space could be made based on direct billings or amounts could be subtracted from state subsidies due the county. This latter procedure would be an accounting transaction charged against the program actually utilizing

the facility. There is an estimated 400,000 square feet of building space available and it is felt approximately 25% could be turned to leased uses. Implementation would provide an estimated annual income of $500,000 to recover fixed costs of unused space. This amount is claimed in the Physical Resources section.

Implementation Strategy: The department secretary should instruct the regional deputy secretaries to advise institutional superintendents to develop the necessary data. Information should be available to the Bureau of Space and Facilities Management within 30 days. Efforts to utilize available space in institutional buildings should be coordinated between the bureau and the deputy secretary, Management Services.

176. Implement an EDP system at the MH/MR institutions for all administrative and patient/resident records.

With few exceptions, the files, records and reporting systems utilized by the department's mental institutions are maintained manually. This approach is inefficient and excessively expensive. Patient tracking is necessary at the institution and community level to provide criteria to ensure proper patient care. Implementation of an automated information system encompassing fiscal data and patient medical records would result in a significant reduction in the clerical work load.

Proposed Approach: Two systems — one for fiscal information and one which encompasses patient tracking data — are commercially available. They were developed for and are being used by several MH/MR facilities in Ohio. The systems are compatible with the equipment and software at CMIC and with the terminals already at the institutions. Purchasing and modifying these applications for use in Pennsylvania would require a one-time cost of $245,000. A lease/purchase arrangement is available to allow a one-year trial at one institution and this option should be taken by the department.

The annual cost of maintenance is estimated at $350,000 using CMIC capabilities. A similar project, now under development at Norristown State Hospital, should be discontinued. Implementation would provide a total potential annual saving of $2.22-million, based on current personnel expenditures at the various institutions. The net annual benefit would be about $1.87-million.

Implementation Strategy: The Department of Public Welfare and the Office of Administration should form an appropriate task force to supervise the purchase, installation and implementation of the recommended systems. Expenditure of purchase funds should be authorized by the Department of Public Welfare.

177. Implement a computerized drug inventory system for MH/MR institutions.

Institutional ward personnel maintain individual drug inventories, reordering as needed from a central pharmacy. No check is made of orders versus patient use and the decentralized inventories result in high spoilage and excessive inventory levels. There is no method for contolling pilferage of many drugs under this system.

Proposed Approach: The implementation of an EDP system for administrative and patient records, as proposed in the preceding recommendation, would provide the necessary data base for computerized drug inventory and distribution. A terminal and printer would be installed in each pharmacy to provide on-line access to the data base. Drug prescriptions should be filled on a per-patient basis. This would permit ward inventories to be maintained at 10% of their present size. A check of each prescription against a master file would prevent spoilage or pilferage. Implementation would permit greatly improved control and should provide an annual saving of $857,000. The one-time installation cost is estimated at $150,000 with an annual expenditure of $245,000 required for system maintenance. The net annual benefit would be $612,000.

Implementation Strategy: The secretaries of the Department of Public Welfare and the Office of Administration should establish a task force to implement this proposal in line with the EDP system recommended for institutional administrative and patient records. It is estimated that approximately 30 months will be required for statewide implementation at all MH/MR institutions.

178. Consolidate laundry facilities for appropriate institutions.

Except for institutions involved in SPIASU, all facilities have their own laundry operations. Each has a labor force of from 20 to 50 employees and considerable equipment. Efficiency varies widely as do costs of operation.

Proposed Approach: Where geographically feasible, laundry facilities should be consolidated to improve overall efficiency and reduce costs. One institution would take over the full function, running a second shift if necessary to accommodate increased volumes. Four suggested groupings for consolidation would be: (1) Woodville, Mayview and Western State; (2) Hollidaysburg and Cresson; (3) Selinsgrove, Laurelton and Danville; and (4) Wernersville, Allentown and Hamburg. Implementation would require a one-time expenditure of $120,000. There would be a one-time income of $50,000 from the sale of excess equipment and a net annual saving of $409,000.

Implementation Strategy: The deputy secretary, Management Services, should develop and execute a plan to

consolidate laundry operations wherever geographically feasible and to terminate employment of those laundry employees no longer required. Implementation should be complete within three months.

179. Eliminate unnecessary stores inventory records at the department's institutions.

Most institutional commodities are charged to a single inventory account and placed in storerooms for disbursement. Storeroom personnel maintain a card file for each item. The information is used for reordering and inventory control. However, institutional accounting personnel maintain duplicate files of the same information. It is estimated that the total number of cards maintained in both areas of the department's institutions number 50,000 and that the turnover rate is approximately three times a year. This means that some 600,000 entries are made by storeroom personnel to their files while accounting entries total more than 1-million annually.

Proposed Approach: The use of inventory accounts involves a great deal of time and expense. It might be necessary if large amounts of supplies were being stored in a single location and then dispersed to numerous cost centers. The system cannot be justified when commodities will be charged to a single cost center. Making direct charges to the cost center at the time of receipt would eliminate approximately 30% of the present accounting work load. In instances where inventory accounts are necessary, a standard cost system should be adopted. Variances would be charged to the appropriate cost centers and records maintained only on total values received and issued. In any event, at least one of present duplicate sets of records must be eliminated. Implementation should permit a reduction of 39 personnel positions for an annual saving of $355,000.

Implementation Strategy: The department's comptroller should be instructed to prepare a new inventory accounting procedure within 60 days. It should be in use throughout the department's institutions within three months after development is complete.

180. Close print shops at MH/MR institutions.

An executive order has been issued authorizing centralization of state printing operations. However, no action has been taken to implement this at the various MH/MR institutions which have print shops. A substantial amount of the output from MH/MR facilities is the reproduction of forms which would normally be purchased or prepared by the state.

Proposed Approach: Steps should be taken to transfer current printing activities to the state. Implementation will permit the institutions to dispose of excess equipment, reduce personnel and use standardized forms purchased in quantity by the state. Sale of purchased equipment should provide a one-time income of $10,000. The annual saving is estimated at $300,000.

Implementation Strategy: Within six months, the deputy secretary, Management Services, should initiate a comprehensive review of printing equipment and utilization at all MH/MR institutions. A summary of the equipment, personnel and functions to be retained as well as those to be transferred should be prepared and local duplication of forms available from the state eliminated. This should be done in coordination with the Department of Property and Supplies. The department should also dispose of excess equipment.

181. Install zone heating with automatic controls in institution buildings.

Most MH/MR institutional buildings were built before 1955. Their present heating methods result in an estimated 25% loss of energy and adds to patient/resident and employee discomfort.

Proposed Approach: To reduce costly energy loss and provide a comfortable environment, zone heating with automatic controls should be installed in those institutional buildings where potential savings are indicated. The structures must be categorized according to age and condition to determine those suitable for possible installation. Cost versus benefit studies should be conducted prior to installation of new equipment and incorporated into a master plan. With an estimated 8.8-million square feet of institutional space needing zone heating with automatic controls, the one-time cost of implementation would be $619,000. Eliminating the current 25% energy loss should provide an annual saving of $404,000.

Implementation Strategy: Within three months, the deputy secretary, Management Services, should complete necessary studies of all MH/MR buildings. Two months later, a master plan should be ready for approval by the department secretary showing types of buildings, ages, sizes, locations, costs and benefits. Once authorization is given, installation work should begin.

SECTION III

Health, Hospitals and Correction

The Governor's Review – 1975

HEALTH, HOSPITALS AND CORRECTION

Team responsibilities in this area encompassed three departments — Health, Public Welfare, with an emphasis on general hospitals, and Justice. Although the operations appear unrelated, there is a common denominator of public service. However, all three of these organizations suffer from unclear definition of overall goals, inadequate planning, lack of direction and poor ongoing evaluation procedures.

Specific areas studied in the Department of Health included the Divisions of Vital Statistics and Licensure, regional and district health offices, Elizabethtown Hospital for Children and Youth, Bureau of Laboratories and Donolow Medical Center. A number of recommendations have been developed to increase overall effectiveness and resolve specific problems found in these areas.

For more than 40 years, it has been recommended that the state remove itself from the acute care hospital business by disposing of the 10 state general hospitals. Since 1972, only one has been closed and turned over to the community, but not without considerable trauma. A team was sent to study these nine hospitals as well as the facility which had been turned over to community operation.

They found the state hospitals to be costly health care providers which do not meet the needs of the areas they are supposed to serve. Patient care is good, but most facilities are substandard while daily costs range from $17 to $60 higher than those of private hospitals in the area.

Bureaucratic administrations, fragmented lines of authority and poor fiscal management in regard to credit, billing, collections, disbursements and accounting have all contributed to the financial difficulties. Private hospitals could not survive under such conditions and the state cannot afford to continue subsidizing inefficient operations. Health care needs are being met more effectively through community resources. Recognizing the difficulties involved, the review team has recommended a practical strategy for phasing the state out of the acute care hospital business by 1980. Interim steps are proposed to ease the current financial drain. The confused relationships between the hospitals and the Departments of Public Welfare and Health in regard to operating criteria need to be resolved.

Operations of the Department of Justice were reviewed in two specific areas: collection activities and the Bureau of Correction. Delinquent accounts turned over to the department have grown from $35-million in fiscal 1972 to $39.6-million in fiscal 1975 while 1975 write-offs exceeded $5-million. Major improvements in collection procedures at the agencies which provide services are imperative. Also, further acceleration of collection attempts is required.

Bureau of Correction operations account for approximately 80% of the department's budget. Team visits encompassed eight correctional institutions, Correctional Industries, several community service centers and the Board of Probation and Parole.

The supplemental appropriations of $4.8-million which were needed in fiscal 1975 are symptomatic of the bureau's management problems. Insufficient short- and long-range planning, crisis management and lack of program measurements have hampered operations. Emphasis on treatment programs over the past few years has seriously detracted from the upkeep of buildings and equipment in most of the correctional facilities.

The objective of Correctional Industries is to operate a profitable business which can provide vocational rehabilitation to inmates. This goal is not being met. Inadequate accounting and costing procedures provide a misleading financial status and only 19% of the prison population is involved in the program. A new bureau commissioner has been appointed. The proposals presented here should serve as constructive input for revitalizing bureau operations.

Another area which received attention was the Youth Development Centers and Youth Forestry Camps operated for juveniles. Based on the average daily census, the fiscal 1975 cost per youth in the program was $20,700.

This rate of expenditure is the result of overstaffing, inappropriate personnel mix and lack of operational standardization. Both the Department of Justice and the Department of Public Welfare are involved in an attempt to care for youths in nonadult facilities. Utilization of other state resources, deinstitutionalization and greater county involvement are all potential solutions to the problems which are addressed in this report.

DEPARTMENT OF HEALTH

This department is mandated to protect the health of Pennsylvania's citizens. Personnel total 1,800 and operated with a budget of $80-million for fiscal 1975 of which $21-million were federal funds. The department provides both direct health services and assistance to

municipalities and counties which do not have their own health departments.

The Department of Health is responsible for planning and coordinating health resources as well as services such as programs for children, treatment of certain blood diseases, programs for communicable diseases, and subsidies for research and development. The department's secretary receives assistance and information from approximately 50 advisory groups including the Advisory Health Board, the Drug, Device and Cosmetic Board, the Advisory Committee for Clinical Laboratories and the Comprehensive Health Planning Advisory Council.

In the area of comprehensive health planning, the department assesses the current status of health care and conducts informational, consultative and promotional activities leading to action by public and voluntary agencies, institutions and individuals to meet the collective needs of the citizens for preventive and health care services. Additionally, the department establishes operating standards and criteria for public and private hospitals.

The department also maintains eight district health offices, 60 state health centers and 20 branch offices throughout the state's 67 counties. Further, the department collects, compiles and preserves all statistics of marriages, divorces, births and deaths in the state.

RECOMMENDATIONS

182. Eliminate four regional health offices and commissioners.

At present, there are four regional health offices, each directed by a commissioner, to implement department programs. Three of the four offices are further divided into a total of seven districts, each with a director. The management level represented by the commissioners is unnecessary and should be abolished.

Proposed Approach: The regional offices should be eliminated, allowing the district directors to report to the commissioner, Regional and Local Health. As the combined staff for the four offices totals 12 people, including the commissioners, the annual savings to be realized would amount to $330,000.

Implementation Strategy: The department secretary should issue an executive order terminating the regional operations.

183. Reduce the clerical personnel in the department's district offices and health centers.

Observation of district offices and health centers shows a ratio of one clerk for every two medical professionals. This is an excessively high level of clerical support.

Proposed Approach: One very active district with eight health centers is operating with a 24% clerical ratio and no reported problems. Therefore, an effort should be made to reduce the ratio in other department field operations to 25% — one clerk for every three medical professionals. In addition, the department should take steps to ensure that the work measurement study contracted for in 1973 is finished according to the established schedule. If the clerical ratio were reduced to 25%, the annual saving would amount to $475,000 in state and $185,000 in federal funds.

Implementation Strategy: The department secretary should authorize the commissioner, Regional and Local Health, to implement a program to reduce clerical staff levels. He should also take steps to expedite the work measurement study. Staff adjustments should be completed within three months of the receipt of the study report.

184. Discontinue surgery at Elizabethtown Hospital for Children and Youth.

The hospital has two operating rooms, one is closed and the other used three days per week. The growth of outpatient clinics around the state has resulted in more surgery being performed closer to the patient's home and a decrease in surgery at Elizabethtown. The number of surgical procedures performed at the hospital has dropped 45% from 698 in fiscal 1966 to 381 in calendar year 1974.

Proposed Approach: Surgical services at Elizabethtown should be discontinued and all such cases referred to the Hershey Medical Center. This would result in surgery being performed in a better equipped environment with required backup personnel. It would also accelerate the conversion of Elizabethtown to a regional comprehensive rehabilitation center for children and youth. The annual saving in operating costs would be $203,000.

Implementation Strategy: The director, Bureau of Children's Preventive and Restorative Services, should be authorized by the department secretary to negotiate an agreement with the Hershey Medical Center to handle all surgery required by Elizabethtown. The plan should be ready in 90 days and implementation accomplished within an additional 90 days.

185. Negotiate more favorable physicians' agreements or dissolve the Donolow Memorial Center when the current contract ends.

The Donolow Memorial Center in Philadelphia can accommodate 150 patient visits per day. The present rate of utilization is 25 to 50 daily. All revenue received from patients, insurance carriers and government benefits are turned over to attending physicians while the state pays

the center's operating expenses. The program was designed in this manner to supply needed medical care to the area served by the center. However, the state should not be required to subsidize the operation if it becomes profitable due to increased patient loads.

Proposed Approach: The Department of Health should renegotiate the current physicians' agreement to provide that 15% of the income will be returned to the state to cover operating expenses. At full capacity, this would provide an annual income of $40,000. If such an agreement cannot be reached, the center should be closed and patients referred to other area clinics or its operations should be transferred to a local community group. All receipts should be deposited to a single local bank account and payments disbursed to the physicians by check.

Implementation Strategy: The secretary, Department of Health, should commence negotiations regarding a new contract. If unsuccessful, he should investigate the possibility of transferring the center to a community organization or take steps to phase it out.

186. Provide certified copies of vital statistics with an automated retrieval/preparation system and increase fees to recover operating costs.

Vital Statistics is a division of the Bureau of Administrative Services in the Department of Health. Its central office is in New Castle and there are five field units. Total staff is 193 with 141 working in the central facility. An increase of 23 persons has been approved for New Castle. The fiscal 1975 operating budget was $2.36-million while revenues totaled only $1.17-million. Providing free certified copies of vital statistics records to veterans and dependents accounted for about 33% of the resulting deficit. Overtime work by the central staff has reduced the 1975 work backlog from 40,000 units to 15,000.

When a request for a certified copy of a vital record is made, the original is located through the index and a copy prepared by typing information on the appropriate form or making an electrostatic copy of the original document. Accuracy is verified by a second person and the copy embossed with an official seal. At the present level of 800,000 copy requests annually, this constitutes a monumental clerical operation.

Proposed Approach: The Division of Vital Statistics should be put on a self-sustaining basis. This can be done by revising the fee schedule in one of three ways: increase fees for nonveterans to $3 per copy and $1 for veterans and dependents; charge a flat $2.50 per copy; or raise existing rates to $3.50, retaining the free copy privilege for veterans. Regardless of which option is chosen, the charge for wallet-size birth certificates should be raised to $4 to cover issuing costs. The additional income to be realized would amount to at least $837,000 per year.

It is also felt that the authorized staff increase of 23 persons can be eliminated. With the transfer of the operation to New Castle, it was necessary to recruit an entirely new clerical force. The experience which they have gained since the beginning of the year should enable them to handle the projected work load with no increase in personnel. In addition, the division should implement a microfilm system to retrieve and print vital record information. This would be augmented by a central computer-produced index to provide the necessary capability for retrieval requests. An in-depth study would be required to design and implement a program which would meet division needs most effectively. Implementation would require a one-time expenditure of $150,000 and an annual cost of $50,000. The annual cost avoidance in staff requirements is estimated at $175,000 and the annual personnel saving at $235,000. The net annual saving would be $185,000.

Implementation Strategy: Proposed rate changes can be implemented by executive action of the secretary, Department of Health. A legislative change in regard to fees for veterans may be required. To develop the retrieval/preparation system, the deputy secretary, Administration, should prepare a request for proposal to initiate an in-depth study. This review activity should be completed within six months. Once recommendations have been approved, bids should be solicited for equipment and authorizations for required expenditures should be approved. The entire process should not take longer than one year.

187. Contract with private laboratories to perform tests not mandated to state facilities.

The Bureau of Laboratories is mandated by law to perform certain tests. However, these are a relatively small percentage of the total work load. Because the salaries of laboratory employees are approximately 25% higher than those paid by private facilities, there has been a significant increase in overall operational expenditures. Substantial economies could be achieved by contracting nonmandated work to local laboratories. Also, the bureau's reliance on mailed samples causes delays in processing and returning results.

Proposed Approach: Appropriate testing services should be obtained from outside vendors on a low bid, regional basis. The regional concept will improve processing time while use of private laboratories will permit a reduction in overall costs because of more favorable wage levels. Since the bureau now inspects such facilities for licensing purposes, there will be no adverse effect on quality. Implementation will permit a reduction in the bureau's labo-

ratory staff. An annual saving of at least $830,000 should be realized in the welfare institution test category alone. Total savings cannot be quantified because of the lack of regional test volume data.

Implementation Strategy: The Bureau of Laboratories should conduct a pilot project in one region for a year. If results are favorable, the concept should be expanded on a statewide basis. Per-test savings should be at least 35% to 40%.

188. Establish inventory controls for Bureau of Laboratories' supplies.

Although physical safeguards are adequate, there is a lack of accounting controls in regard to the bureau's supplies. Records are out of date and inventory levels of some items appear excessive. Annual purchases amount to approximately $80,000.

Proposed Approach: A full-time clerk should maintain accounting and physical control over all supplies. Functions would involve keeping an accurate perpetual inventory record with supporting documents, establishing maximum supply levels and identifying economic order quantities to ensure optimum return on purchasing dollars. A multi-part, pre-numbered requisition form should be used to provide control and support documentation for all materials issued. The savings to be achieved through improved inventory levels and purchasing practices should more than offset the cost of implementation.

Implementation Strategy: The bureau director should assign a clerk to the proposed inventory control function. This position would be responsible for accounting and physical control of all supplies.

189. Require wholesalers to distribute drugs and devices only to licensed retailers.

Current legislation requires that every manufacturer, distributor and retailer of drugs and devices operating in the state register with the Department of Health. A staff of eight pharmacists comprises the Compliance Section. Although the registration program has been extremely effective in licensing manufacturers and distributors, less than 50% of the retailers have complied. Compliance personnel cannot enforce registration at existing staff levels.

Proposed Approach: Governing statutes should be amended to require wholesalers to ascertain if retailers are licensed before supplying them with drugs and devices. This will ensure that only licensed operations can handle this type of merchandise and should increase the registration activity significantly without additions to the staff. Initial licensing efforts would result in a one-time cost of $4,000 to handle the work load. However, the increased annual income is estimated at $145,000.

Implementation Strategy: The department's deputy secretary, Legislation, should draft the proposed amendment. After the initial registration, a procedure should be developed to issue permits for staggered periods to avoid peak work loads.

STATE GENERAL HOSPITALS

There are nine state general hospitals located in areas traditionally associated with the coal mining industry. For a number of years, these institutions operated as charity hospitals. Although present charges are comparable to community facilities, they are not sufficient to cover excessive operating costs and the hospitals must be subsidized by the state. Over the past three years, state subsidies have increased from $1.7-million in fiscal 1972 to $11-million in fiscal 1975. This subsidization is expected to increase because of high, fixed labor costs. Salaries and fringe benefits in the average community hospital account for approximately 65% of the total operating cost but encompass 80% of the budget in state general hospitals. In addition, the facilities do not compare well with those of community institutions and occupancy rates are falling. The occupancy rate for fiscal 1974 was 61%. It was 57% in the first eight months of fiscal 1975.

RECOMMENDATIONS

190. Discontinue state support and operations at the nine state general hospitals.

The existing system of state general hospitals is underutilized and outmoded. In fiscal 1975, $11-million was paid by the state's taxpayers. These facilities incur excessive labor and operating costs and suffer from poor collection methods, lack of central control and inadequate management. The basic problem is the inability of a large state organization to administer general care hospitals at the community level effectively.

Occupancy rates in all hospitals in the geographic areas served by the state facilities have fallen over the past five years. In the state hospital system, the occupancy rate was 61% in fiscal 1974 and 57% for eight months of fiscal 1975. The state facilities have a much higher operating cost per patient day than private hospitals and must be subsidized by general fund appropriations.

Fiscal management is inadequate with accounting, billing, collection and disbursement operations divided between the institutions and various groups in Harrisburg. Write-offs of uncollectible bills exceeded $1-million for fiscal 1975.

With the exception of Connellsville and Philipsburg, the state general hospitals are concentrated in the northeast part of Pennsylvania. Only three are what could be considered modern facilities. With declining patient ratios, the counties served by these institutions presently have hospital beds which are up to 19% in excess of projected 1978 requirements.

Although state hospital charges equal or exceed area averages in most instances, operating costs are such that state subsidies must be provided each year. In the latest available report — covering the period ending June 30, 1974 — the state hospital average cost per patient day was $110.62 compared to $80.59 for comparable private facilities. Some of the difference is attributable to labor costs. In their geographic areas, state hospitals pay a much higher wage than private ones for the same employee skills. Also, since administrative posts are filled by political appointment, hospital administrators in some cases lack the necessary experience to run operations efficiently. Operating statements which show both income and expense are not prepared. Those costs which are compiled by the department's comptroller do not include depreciation and/or interest expenses. Overall, the condition of the physical plants suffers in comparison with available private facilities. Further, 718 of a total 1,285 beds are in wards, making accommodations less than desirable.

Proposed Approach: Pennsylvania should cease its attempts to serve as a provider of acute hospital care. Instead, private, nonprofit, community-oriented institutions should be developed under local management. These would be responsive to local health care needs and could operate under area wage scales correlated to the economic condition of each institution. To accomplish this transition, the following steps should be taken:

- Transfer the administrative responsibility for the nine state general hospitals from the Department of Public Welfare to the Department of Health.
- Appoint a special assistant to the secretary, Department of Health, to supervise the hospitals and implement this proposal. This person must be a trained, experienced hospital administrator.
- Establish a comprehensive total health care plan for each area served by a state general hospital. These facilities may or may not remain as part of the overall program.
- Coordinate enabling legislation to provide authority and requirements to implement community health plans using local or private nonprofit corporations. This activity will include appropriating necessary funds.
- Assist in incorporating each community group and execute a formal transfer of facilities as required by the governing statutes.
- Coordinate funds and financing to include transitional monies, conversion/renovation funds and a percentage of deficit financing over a short period.

Two elements are vital in implementing this approach. First, there must be a policy statement and ensuing commitment from the Governor establishing the overall objective of more complete, efficient health care in each area. Second, the comprehensive health care plans must be a result of joint determinations by community planning committees, the state and private health care organizations. Cooperation from each local group is essential in accomplishing the objectives of this proposal. The special assistant will operate under the secretary, Department of Health, to complete transfer/conversion plans within a five-year period. This person will function as the state's representative in developing the community health plans.

As the new private organizations are established, they will probably require a year or two to become self-sustaining. During this period, the state should provide within prescribed limits a deficit financing guarantee of 100% the first year, 75% the second and 50% during the third and final year. In almost all cases where continued use of hospital buildings is involved, a lease arrangement will be required. Implementation will entail a one-time expenditure of $950,000. However, anticipated annual savings would amount to $9.25-million.

Implementation Strategy: The success of this proposal is contingent upon adherence to a strict schedule for two key actions. First, all enabling and appropriation legislation should be completed by 1978.

Second, if conversion or modernization is required, the General Assembly must appropriate the necessary funds before January 1, 1978, for each locality. The General Assembly must also repeal Public Law 681 which restricts the lease or sale of state-owned general hospitals. If the hospitals are not transferred to community operation by January 1, 1979, they should be closed by the end of that year.

191. Develop a staffing pattern and position requirements for nursing personnel in the state general hospitals.

Staffing in state general hospitals is based on the authorized complement. No apparent effort is made to determine actual position requirements, particularly in regard to nursing personnel. There appears to be a disproportionate use of highly paid registered nurses in preference to licensed practical nurses, nursing auxiliaries and ward clerks.

Proposed Approach: An independent study was made for Scranton General Hospital to decrease utilization of nursing personnel for nonnursing and clerical activities. Basing staffing patterns on similar evaluations for the other eight hospitals should provide a combined annual saving of $500,000.

Implementation Strategy: The secretary, Department of Public Welfare, should direct each hospital administrator to implement an analysis of nursing personnel requirements. The administrators should then establish proper ratios for their nursing staffs based on the results of these evaluations.

192. Close the nursing schools in four state general hospitals.

The state is conducting nursing schools in its general hospitals at Ashland, Hazleton, Scranton and Philipsburg. None of these hospitals have openings for the graduates. As a result, the facilities are training nurses they cannot hire and increasing the overall per diem patient costs. The total expenditure for the schools is approximately $2.4-million annually. Tuition income amounts to almost $335,000, but none of the revenue is used to meet hospital operating costs.

Proposed Approach: Nursing curriculums are available at various community, state and private colleges. Therefore, the hospital schools should be closed. An annual saving of at least $1.25-million would result.

Implementation Strategy: The department secretary should authorize the closing of these schools over a one-year period.

193. Establish a temporary, decentralized fiscal management information system at the state general hospitals.

Financial analysis is not being utilized effectively in the state general hospital system. Standardization of financial data reporting is nonexistent so it is difficult to evaluate hospital performance either against its past performance or similar state and private institutions. At present, depreciation and debt service charges are not included in operating costs. Hospital administrators do not receive fiscal information until the tenth working day of a succeeding month, making it impossible to prepare meaningful operating statements. Collection practices and inventory control also require improvement. As a change has been proposed in the general hospital system, it is felt that a temporary means of providing fiscal management information should be provided during the period of the changeover.

Proposed Approach: Essential fiscal information — in a business format oriented to the health care industry — should be available to hospital administrators within five working days after the close of each accounting period. Periodic billings should be accelerated to ensure that all open accounts receive statements at prescribed intervals. The goal would be to utilize existing systems and equipment — adding to them only when absolutely necessary — to provide an effective system of decentralized fiscal information for use on a temporary basis. Implementation would require the following actions:

- The resident accountant should prepare and maintain an accrual basis set of financial records including estimates of depreciation and interest costs.
- A monthly statement of operations should also be prepared by the resident accountant, using the accrual basis worksheets, no later than the fifth working day of the succeeding month.
- The credit manager should supply an overall accounts receivable aging breakdown with balances shown by category and source of payment on a monthly basis.
- Individual accounts should be grouped under the name and social security number of the person responsible for the payment to reduce the volume of ledger cards and monthly statements.
- Provide identification cards for all patients which include social security numbers for rapid credit checks.
- A peg-board system should be used to provide immediate invoicing for outpatient services and an aggressive attempt should be made to collect at the time care is given. Annual cost would be $6,300.
- Pre-numbered, multi-part requisitions should be used to control the flow of inventory items.

Although no specific savings are identified, implementation should provide significantly improved fiscal management in the hospitals.

Implementation Strategy: A directive should be issued by the appropriate department secretary to authorize action by the hospital administrators. Implementation should require two months.

194. Use the income and/or principal from its trusts and bequests for the benefit of Connellsville State General Hospital.

This hospital has been the beneficiary of three separate bequests and the principal and income amounts have increased by more than $330,000 since the original grants were made. The income is not being used to meet hospital expenses. Instead, these amounts are being reinvested to build up the trust funds.

Proposed Approach: If the intent of the bequests was to establish a fund to pay hospital expenses, then this purpose should be fulfilled. A determination should be made as to whether the money belongs to the hospital or the state. A decision in this regard will be critical if ownership of the institution is transferred to a local nonprofit corporation. Use of the trusts would provide the state with a one-time income of $330,000 and an annual investment income of $35,000.

Implementation Strategy: The terms and conditions of the various bequests should be determined by legal counsel in the Department of Public Welfare or the Department of Justice. Based on the opinions rendered, the hospital administrator, with the approval of the trustees, should implement transfer of the funds to appropriate hospital accounts. The auditor general should make annual audits to ensure that funds are being used as intended.

DEPARTMENT OF JUSTICE

This department represents the state in civil and criminal matters to which it is a party and provides legal counsel to other departments and agencies. It enforces compliance with civil rights laws, maintains a state system for custody and rehabilitation of convicted criminals and assists in the improvement of the juvenile court system. The department is administered by the attorney general and employs approximately 3,500 personnel. Its annual operating budget was about $70.7-million for fiscal 1975.

RECOMMENDATIONS

195. Clarify responsibilities of assistant attorneys general assigned to state agencies.

There are approximately 350 assistant attorneys general assigned to various state agencies. Most spend 80% of their time working for the agency and are paid 20% of their weekly salary for each day worked. There have been instances where such personnel have not performed satisfactorily, but there are no definite procedures for an agency to report its dissatisfaction to the attorney general.

Proposed Approach: The attorney general should establish specific performance standards for these assistants and should provide a mechanism for agencies to use in reporting unsatisfactory personnel. Although the annual performance review should receive more attention as a means of evaluating progress, the attorney general should be notified immediately of any dissatisfaction.

Implementation Strategy: The attorney general should prepare and distribute guidelines to the departments, agencies and assistant attorneys general within a period of about three months.

196. Improve collection procedures for delinquent accounts due the state.

The Commonwealth Collections Division acts as the state's bill collector. If an account is more than 90 days overdue, it is turned over to this division. However, the agency originating the request for collection is expected to exercise adequate efforts on its own behalf before taking this action. This, unfortunately, is not always the case and many claims received by the division are several months overdue.

For the first 10 months of fiscal 1975, the Commonwealth Collections Division received $14-million in new claims, collected $7.5-million and wrote off $4.9-million. Approximately $3.8-million or 78% of the year-to-date writeoffs were on past due hospital accounts. This is because of the inadequacy of the hospital's collection procedures.

Under the present system, claims remain under the hospital's jurisdiction well in excess of 90 days while division collection efforts require an additional 90 days before being referred to a department attorney.

Proposed Approach: Collection efforts must be strengthened and streamlined at both the agency and division level. Agencies must initiate more stringent client credit determinations prior to providing services. Using a patient's social security number to identify past credit history at the hospital would provide more accurate information. Under the proposed system, a reminder would be sent by the agency to the client 20 days after an account became due. If no action resulted, a letter would be sent 15 days later. Personal contact should begin 10 days later. At this point, an account would only be 45 days delinquent. Once a bill is 90 days overdue, it must be referred to the Department of Justice. Documentation covering the agency's collection efforts should accompany the referral.

Once the Commonwealth Collections Division is notified of an overdue account, it should inform the debtor that the account has been turned over to the Department of Justice. If no action has been taken within 20 days, a stronger letter should be sent and 20 days following that, a third letter. This final notice should advise the client that suit will be initiated unless action is taken within a period of 10 days.

At the end of this grace period, the account should be referred to a department attorney for action. Complete documentation on all collection efforts should be provided so the department can follow up with any agencies whose activities are deemed insufficient.

Since March 1974, each claim entered into the computerized accounting system has been coded to identify the referring agency but batched so that individual institutions or types cannot be identified. An additional step in the coding would permit identification of individual agencies, institutions or hospitals. Consideration should also be given to increasing the minimum claim size to $25. Using the patient's social security number for identification would ensure that multiple small claims against a single person are not dropped. Implementation of the proposed collection program should result in a 30% improvement in revenues. Based on projected collections of $9-million for fiscal 1975, the additional annual income would be $2.7-million.

Implementation Strategy: The attorney general should inform the various department secretaries of the need to conform to governing statutes on prompt submission of overdue accounts. The secretaries should then take action to improve collection efforts in their respective areas.

The deputy attorney general should initiate changes in the computerized accounting system to produce reports by specific agencies and required subgroups. Implementation should be complete within 90 days.

197. Terminate the EDP contract with Camp Hill.

The Commonwealth Collections Division purchases data processing services from a center at Camp Hill run by Correctional Industries. It is staffed by civilian employees and inmates who are being trained as programmers and computer operators under a rehabilitation program.

While the annual charge for this service was $24,000, the new contract calls for an increase to $35,000. A combination of inefficient staff and underutilization of outdated equipment has resulted in excessive costs for the service. Turnaround time averages 10 to 14 days.

Proposed Approach: A proposal has been submitted by the Central Management Information Center (CMIC) to provide the required services at an annual cost of $14,500 plus a one-time conversion charge of $4,500. It should be accepted.

CMIC can provide turnaround time of three to five days, improved staff capabilities and more modern equipment to meet future programming needs. Receiving information five days earlier will improve collection efforts and should generate an annual increase in income of $7,500.

Implementation Strategy: The attorney general should terminate the existing contract and purchase EDP services from CMIC. A proposal has been made in Correctional Industries to phase out the data processing center at Camp Hill.

CORRECTIONAL INSTITUTIONS

The Bureau of Correction maintains a system of eight correctional institutions and 14 community service centers to provide custody and treatment for individuals sentenced by the courts. Emphasis in the institutions is on academic and vocational education; classificiation and treatment of offenders; employment in the Industries Division; work and community-oriented programs. The fiscal 1975 budget was $59.7-million, including $2.1-million in federal funds. The bureau has approximately 2,700 employees. The institutional population is approximately 7,000, an increase from 6,000 in 1974.

RECOMMENDATIONS

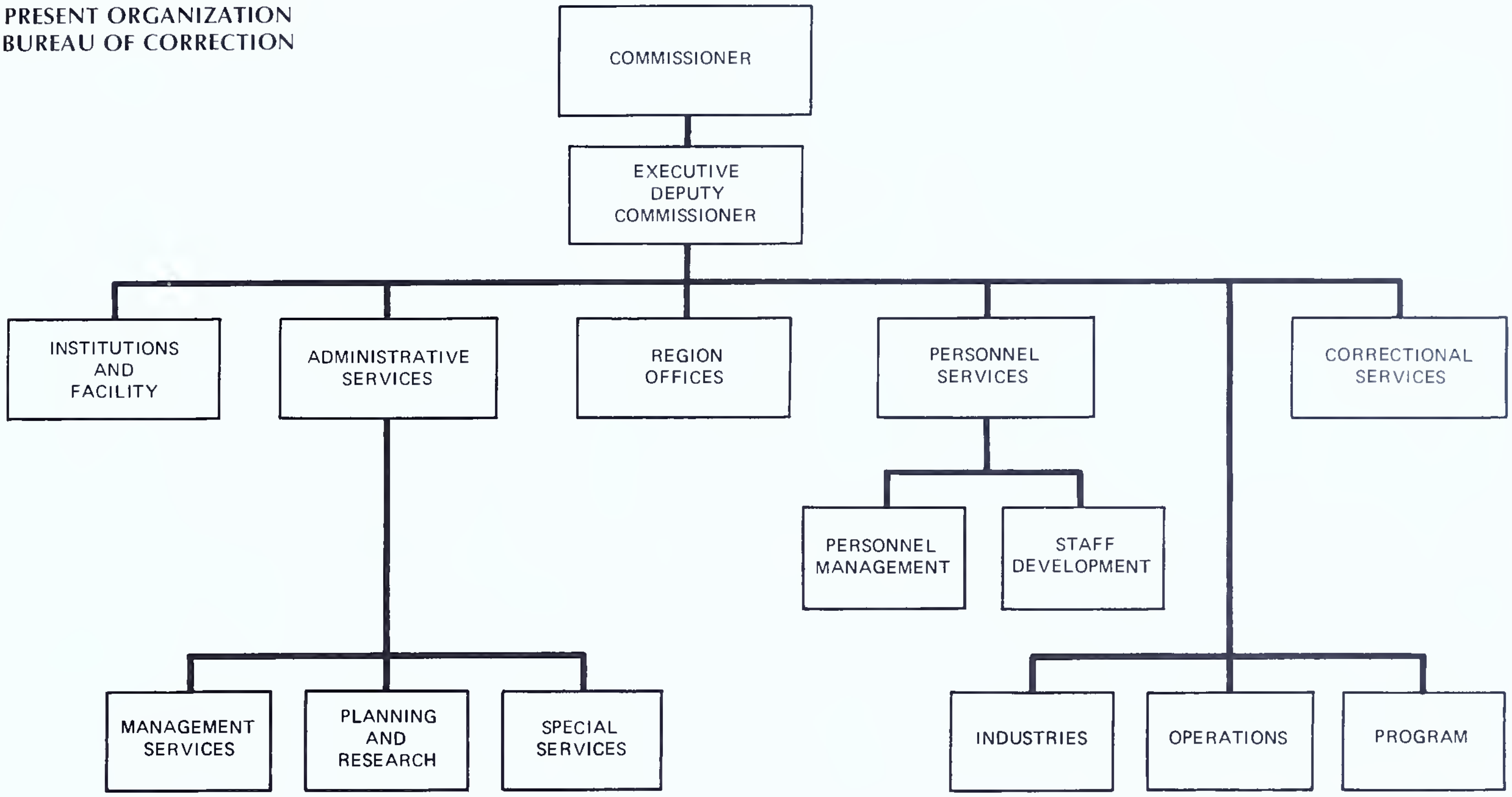
198. Revise the organization structure of the Bureau of Correction to ensure effective delivery of correctional services.

The present organization structure of the Bureau of Correction is illustrated by the chart at top right. It inhibits hibits both communication and accomplishment of bureau goals. Of the 24 management personnel who report to the bureau's commissioner, 14 are located in the field, making effective control difficult. Program development does not include sufficient planning, resulting in unbudgeted expenses. Written communications from the central office sometimes overlap, causing unnecessary effort and confusion. Policies and practices vary in the institutions and community service centers while continuity of services between the two are inadequate. Fiscal control in the community service centers is vague and staffing is excessive.

Senate Bill 132, if passed, would create a Department of Correction. This new organization would combine the Bureau of Correction and the Board of Probation and Parole. A chart showing the board's present structure is shown at bottom right. Generally, both organizations look on the proposed merger as a step towards providing much needed continuity of service in the correctional process. A steering committee, under the direction of the lieutenant governor, has been formed to develop an effective organization structure which can deliver correction services from the pre-sentence phase through probation and parole. Considerable efficiency and economy should also be available through consolidation of administrative activities and regional operations.

Proposed Approach: The structure of the Bureau of Correction should be revised to include activities of the existing Board of Probation and Parole. The resulting Depart-

PRESENT ORGANIZATION
BUREAU OF CORRECTION

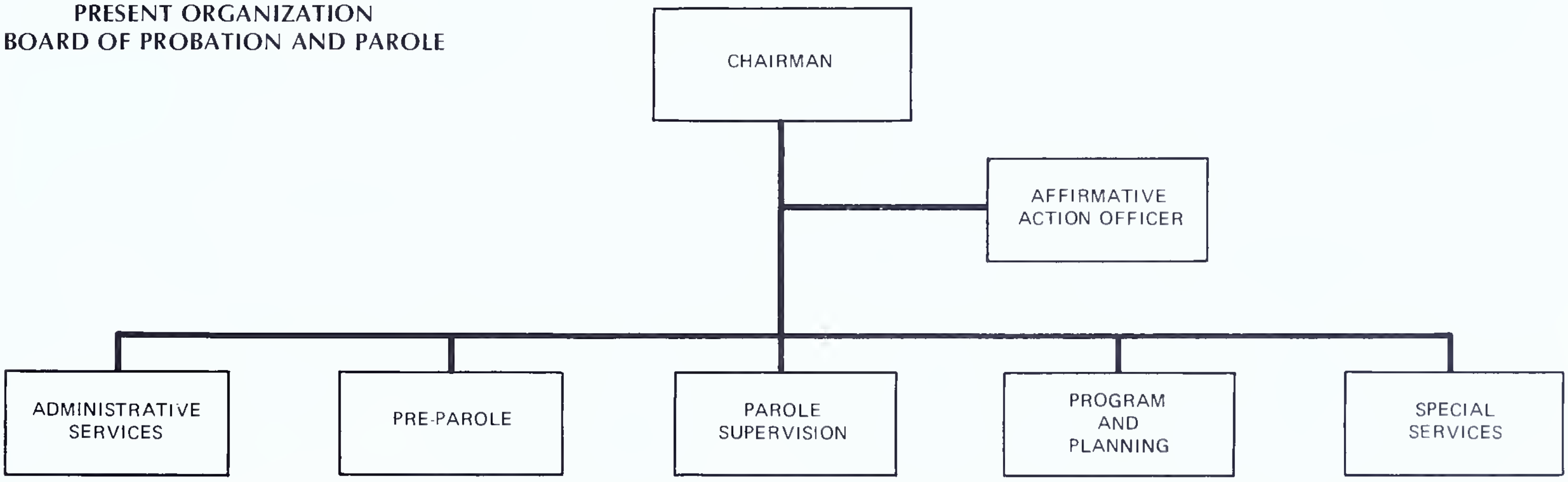


ment of Correction should encompass the responsibilities outlined in Senate Bill 132 and the department secretary should be appointed as quickly as possible after legislative enactment.

Under the revised organization illustrated by the proposed chart on page 76, a policy board would be established to develop and define the mission, goals and objectives of the department. The board would include the department secretary, the executive directors, Programs and Facilities, Administration and Industries as well as the three area directors. Its duties would be to ensure that services were being delivered uniformly and with continuity throughout the state.

Three areas — western, central and eastern — should be established to control corrections service deliveries. Each director, working within guidelines established by the policy board, would have full responsibility for operations in his area. Services would be delivered through institutions, regional facilities, community service centers and probation and parole centers. The department's central office would provide the area directors with needed technical and program support. An area comptroller would be responsible for all fiscal activities and would report to the director and the executive director, Administration. Existing business managers at the various institutions would be reclassified as accountants and would report to the area comptrollers.

PRESENT ORGANIZATION
BOARD OF PROBATION AND PAROLE



An executive director, Industries, would be responsible for correctional industry activities. A volunteer board of advisors should be appointed by the Governor to provide business guidance and program evaluations. Staff activities relating to correction services would be grouped under the executive director, Programs and Facilities. Operations would encompass four divisions: Parole Support Services, Operations, Program Services and Training. The executive director, Administration, would also supervise four divisions: Fiscal Management, Personnel, Management Systems and Resident Records. In order to provide much needed planning capabilities, an executive director, Planning and Evaluation, would assume responsibility for developing long-range goals and implementation procedures for approval by the policy board.

Implementation should make it possible to eliminate duplicate positions and reduce overall staff levels by 5% or 170 persons. This would result in an annual saving of $2.52-million.

Implementation Strategy: The attorney general should present the proposed organization plans for review and evaluation by the Lieutenant Governor and the steering committee.

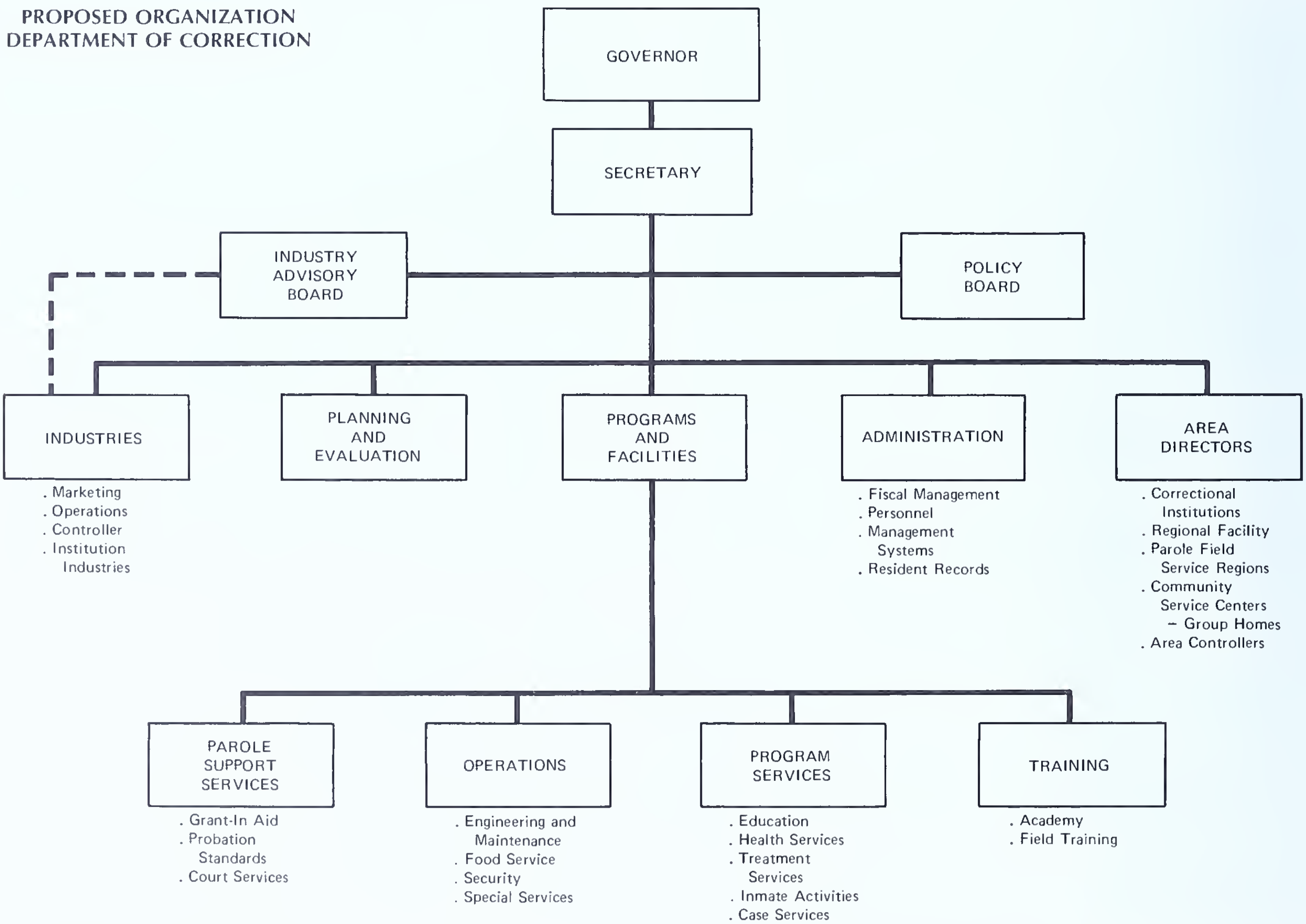
199. Consolidate diagnostic and classification assessment activities for incoming inmates.

Diagnostic and classificiation assessment activities were previously performed for all inmates at two centers, one in Pittsburgh and one in Philadelphia. Following regionalization of correctional services, these responsibilities were transferred to the individual institutions.

This decentralization has resulted in inefficient use of personnel and facilities. In many cases, the resulting diagnostic and classification assessment activities are of lower quality.

Proposed Approach: The bureau should return to the use of centralized assessment units for male offenders. Women prisoners should be provided with similar services at Muncy. Consolidation would improve program quality and permit a reduction of 14 administrative employees for an annual saving of $228,000.

PROPOSED ORGANIZATION
DEPARTMENT OF CORRECTION



Implementation Strategy: The commissioner, Bureau of Correction, should authorize the proposed consolidation. The Planning and Research Division would assume responsibility for initial planning while the Program Division would implement and coordinate the project.

200. Replace existing training academies with one central facility.

The bureau now receives federal funding to conduct a comprehensive training program for both bureau and county correctional personnel. Training is provided at three academies. The rationale for these multiple sites was the supposed reluctance of county personnel to leave their own area for training. In fiscal 1974, only 120 county employees attended academy classes. Reasons include: differences of opinion at state and local levels regarding training needs; high county turnover rates; inability of county organizations to free personnel for extended training; personal hardship for staff electing to attend academies. As a result, academy facilities are overstaffed and underutilized.

Proposed Approach: To remedy this, the academies should be consolidated into one facility, probably at Camp Hill. Based on current projections, the training load should be approximately 350 persons per year for one-week orientations; 150 per year for two weeks of basic training; and 120 per year for one-week refresher and advanced training courses. With class sizes of 30, 20 and 10, respectively, this would provide a training year of 40 weeks. The staff from one academy should be retained and augmented by one mobile training instructor to serve the needs of county personnel. County-level activities could be supplemented by instruction at community colleges, correspondence courses and recommended reading programs. Academy training could be offered as an alternative to local programs. Three training coordinators would oversee activities on a regional basis — supplanting the existing coordinators at each state correctional institution. Elimination of excess personnel would provide a net annual saving of $150,000.

Implementation Strategy: Following appropriate announcements by the commissioner, implementation should be handled by the central office training coordinator in the Bureau of Correction. Phasing out two of the three academies should be accomplished over a six-month period.

201. Eliminate Department of Education principals at each correctional institution.

An educational staff is provided to each correctional institution under contract with the Department of Education. One person is the equivalent of a school principal although the Bureau of Correction also provides a principal in each location to oversee the program. This is an unnecessary duplication of activity.

Proposed Approach: As personnel from the Bureau of Correction are also responsible for institutional discipline and security, the principals under the jurisdiction of the Department of Education should be eliminated. Duplicate personnel to be terminated would include: seven Department of Education principals at the correctional institutions; one of the two Bureau of Correction principals at Camp Hill; the supervisor of the vocational program at Rockview (responsibilities would be assumed by the person in charge of the academic activities); the two supervisors of the New View college programs (their duties could be assumed by the deputy superintendent, Treatment). Implementation would eliminate duplicate or unnecessary supervisory positions for an annual saving of $218,000.

Implementation Strategy: The commissioner, Bureau of Correction, should request the removal of all Department of Education principals and should instruct the superintendents at Camp Hill and Rockview to terminate excess bureau supervisors.

202. Establish equitable personnel policies and procedures for all correctional institutions.

An examination of staffing levels at the various correctional institutions shows a number of inequities. In some cases, employees are working in jobs which are below their designated classification, but being paid at the higher level. The cause is an apparent lack of formalized policies and procedures to specify the types of job classifications and level of personnel required at each correctional institution.

Proposed Approach: Written procedures should be developed and enforced in regard to staffing requirements for all correctional institutions. Periodic reviews and audits should be conducted to ensure compliance. Consistent staffing patterns would improve employee morale, define promotional opportunities and ensure equitable classifications and compensation for institution personnel. If the 37 employees now working out of classification were reassigned, the annual salary saving would be $161,000. An in-depth study is required to determine the full extent of potential benefits.

Implementation Strategy: The commissioner, Bureau of Correction, should direct the Personnel Management Division to develop and implement written procedures covering all staff positions in correctional institutions. Institution superintendents should be directed to eliminate the practice of filling positions with out-of-classification employees. Steps should be taken to correct those situations which currently exist.

203. Require corrections officers and matrons to retire at age 60 and to undergo annual physical examinations beginning at age 40.

Approximately 55% of the total correctional institutions' personnel complement are guards. These corrections officers and matrons must be in good physical condition to handle the demands of their work. It is potentially dangerous, as well as inefficient, to employ guards who, because of age or physical condition, cannot meet all the requirements of a security position.

Proposed Approach: Beginning at age 40, all corrections officers and matrons should be required to pass a physical examination on an annual basis. Mandatory retirement should be required at age 60 with continuance of the present option to retire at age 50 after 25 years of service. Alternate employment might be offered selected personnel who can no longer meet the physical demands of guard duty. Implementation would improve efficiency, eliminate overstaffing and protect the health of employees involved in this hazardous occupation.

Implementation Strategy: The commissioner, Bureau of Correction, should have a detailed proposal on mandatory retirement prepared in cooperation with the state's bargaining agent for submission at the next union negotiation meeting. A program of annual physical examinations should be designed and implemented immediately.

204. Reduce the amount of overtime worked by corrections officers at the various state correctional institutions.

Approximately 80% of the total overtime at correctional institutions is paid to corrections officers. For fiscal 1975, this amount was $4.1-million. There are several reasons for this excessive use of overtime. First, the number of officers is determined by the Bureau of Correction. There have been almost no new positions authorized within the past two years despite additions of new programs and posts which require manning by officers. These additional duties are carried out by present staff on overtime. Second, all officers not on duty because of vacations, sick or personal leave must be replaced by other personnel on overtime. The use of sick leave in 1974 averaged 12.6 days — obviously an abuse of this benefit.

Proposed Approach: Several methods should be employed to reduce current overtime levels. Temporary help — paid at straight time — should be used to replace officers on vacation or extended sick leave. The sick leave policy should be strictly enforced. Proof of illness should be required with a follow-up by a state doctor. The policy of counting personal and sick days as time worked in calculating overtime should be discontinued. The institutions and the Bureau of Correction should identify all necessary posts at each facility. Staff requirements for new programs should be included in the budgets for these activities. Such programs should not be established unless they can be justified. The linear programming model now in existence should be updated to define optimum staffing versus overtime. Implementation of these proposals should provide an annual saving of $1.11-million in reduced overtime expenditures.

Implementation Strategy: To carry out this program, the commissioner, Bureau of Correction, should authorize the institutions to employ temporary help to replace all officers on extended sick leave and at least 50% of those on vacation. The necessary directive can be issued immediately and implementation should be complete within six months. Secondly, the commissioner and institution superintendents should meet with union officials to announce strict enforcement of existing sick leave policies. At the next contract negotiation, the bureau should seek a change which would eliminate sick leave and personal days as time counted in the calculation of overtime payments. The bureau's director, Planning and Research, should define post requirements at each institution. This would require approximately six months. Within a year, the director should develop procedures for justifying new programs and phasing out those which prove nonproductive. A concurrent activity, estimated to require six months, would be the use of the existing linear programming model with minor modifications to determine optimum staffing levels.

205. Improve administrative and fiscal control of community service centers.

The bureau operates 14 community service centers to provide pre-release preparation for inmates before they move back into the community. While the program serves a useful purpose, the lines of communication in regard to administrative, fiscal and technical support for the centers are vague. The major deficiency seems to be the lack of authority on the part of the bureau coordinator in regard to the centers. At present, the centers report to regional directors. They, in turn, are responsible to the bureau's commissioner, but not to the coordinator. Six regional offices managing 14 centers are excessive while the women's facilities are underutilized.

Proposed Approach: In order to improve overall operations in the community service centers, the following steps should be taken:

- Establish strong, central control for the centers by appointing a director to assume responsibility for setting policies and procedures.
- Define the role of the centers in achieving long-range bureau goals.

- Provide a standardized policy and procedural manual for the centers.
- Give the centers fiscal responsibility for their operations, utilizing existing personnel.
- Examine regional office activities, consolidating functions and reducing staff wherever possible.
- Increase utilization of the women's centers to at least 85% within one year or convert one to a male facility.
- Establish meaningful cost figures for center operations which include administrative expenses incurred by both correctional institutions and regional offices.

Implementation should increase overall efficiency and provide opportunities for savings. These have been claimed elsewhere.

Implementation Strategy: The commissioner should appoint a director for the centers who would be responsible for making the proposed changes. Implementation should be complete within one year.

206. Eliminate the free meals for the bureau's institutional employees.

Approximately 2,700 bureau employees are provided with one free meal during each eight-hour shift worked plus free coffee twice each shift. The practice could be considered discriminatory since staff in other departments and institutions at comparable salary levels do not receive this additional benefit.

Proposed Approach: Each employee should be charged for meals and coffee provided during breaks. To eliminate cash handling in the institutions, a ticket system should be instituted. Some consideration should be given to changing the policy regarding home-prepared lunches. At present, personnel are not allowed to bring lunch bags into correctional facilities for security reasons. This policy could be changed if special areas were set aside to store and eat lunches. Implementation of the meal charge would provide an annual income of $745,000.

Implementation Strategy: The commissioner should raise the issue of free meals at the next labor contract negotiation. This privilege should be eliminated from all future contracts.

207. Increase commissary prices and use the income to defray inmate mailing costs.

To encourage family contacts, each inmate receives up to 10 free first-class mailings per month. The cost is included in institution budgets and paid from the state's general fund. Since the mailing privilege comes under the area of inmate welfare, it should be paid from funds dedicated to this purpose.

Proposed Approach: Each institution operates a commissary to sell personal supplies to inmates. The current mark-up is 5% for all items except tobacco which is sold at cost. This should be increased to 6% for all items including tobacco. The additional revenue should be turned over to the Inmate General Welfare Fund to pay inmate mailing costs. Implementation would provide an annual saving to the state of $84,000, assuming maximum use of the mailing privilege.

Implementation Strategy: The department's Management Division should instruct the institutions regarding the change in commissary pricing and the transfer in mailing cost accountability from the general fund to the Inmate General Welfare Fund. Implementation should be complete within five weeks.

208. Cancel plans to construct a new maximum security treatment facility.

The Bureau of Correction has been attempting unsuccessfully to secure funding from the General Assembly to provide a temporary maximum security facility at Farview State Hospital in Waymart. Under the proposed plan, one wing of the facility would be reconstructed and manned by bureau personnel. The purpose is to improve the behavior of 20 to 25 intractable inmates presently housed within existing correctional institutions. Implementation would require a one-time expenditure of $1.2-million and annual costs of approximately $900,000. The project aroused considerable controversy and was rejected. Reasons included:

- The site under consideration was inappropriate because of its physical isolation which would make inmate visits a problem.
- Professional and custodial staff required to man the facility are not available. Also, inmates would not have to accept the proposed treatment program even if transferred to the facility.
- The legality of the concept is questionable and funds spent on this three-year program could be better utilized elsewhere.

Proposed Approach: The goals of the proposed isolation and treatment program could be met more effectively by using existing bureau facilities. A wing or cell block of one of the seven correctional institutions could be set aside to house the type of inmate proposed for Waymart. Some structural and facility modifications would be necessary, but the anticipated cost would be minimal compared to the estimated expenditure for Waymart. Also, existing institution staff could be utilized to man the treatment area. Although exact benefits are difficult to estimate, it is felt that proposed expenses could be reduced by at least 50%. This would provide a one-time

cost avoidance of $600,000 and an annual saving of $450,000.

Implementation Strategy: The attorney general should terminate all plans to implement the proposed program at Waymart. The commissioner, Bureau of Correction, should review existing facilities for an alternate site and authorize necessary modifications. He should then work out a plan with the appropriate institution supervisors to transfer inmates. Implementation should be complete within approximately eight months.

CORRECTIONAL INDUSTRIES

The Industries Division of the Bureau of Correction provides vocational training and work programs for inmates of state correctional institutions. Articles produced are available for purchase by state-supported institutions and agencies. The program is self-supporting and realized a profit of $245,000 on sales of $8.26-million in fiscal 1974. Approximately 1,300 inmates and 171 state personnel are employed by the division.

RECOMMENDATIONS

209. Reorganize Correctional Industries to improve its efficiency and effectiveness.

The basic goals of Correctional Industries are to provide rehabilitative work training to institution inmates and operate a profitable business. These aims are not being met effectively. Accounting methods do not reflect the true costs of operation while marketing, product lines, quality and general business practices are inadequate. In addition, the objective of providing vocational rehabilitation is not being achieved since only 19% of the institutional population is engaged in the work. Thus, a large labor force is available for any expansions of products and markets.

Proposed Approach: The Bureau of Correction must recognize that Correctional Industries is a vital part of the total operation. In addition to the income it provides, the work habits which are learned by the inmates are an important factor in preparing them for a return to the community. However, Correctional Industries must be operated efficiently so that it can produce and deliver quality products at a competitive level. To accomplish this objective, the entire operation must be upgraded. Organizationally, it is proposed that an executive director be appointed to report directly to the commissioner. This change will make it possible to attract a competent administrator and will give the entire operation the management attention it requires. The person chosen for the position should have a strong business background with manufacturing and marketing experience.

In addition, the Governor should appoint an advisory board to guide the operation in meeting its objectives and evaluate its progress. The board would consist of three to five executives, active or retired, with manufacturing, financial and marketing backgrounds. This volunteer group would also report to the commissioner.

To carry out an effective program, the executive director should be assisted by two directors — Marketing and Operations — and a comptroller. Marketing would encompass sales, service and new product development. In this area, it would be necessary to define all potential institutional markets in terms of products and dollars. Items should be reviewed in relation to agency needs, overall design, required materials and market potential. New product lines should be added and strategies developed in regard to marketing and pricing. Items with limited potential should be dropped. A sales force should be provided to serve the markets and update catalogs.

To improve operations, it will be necessary to develop up-to-date manufacturing procedures, implement quality control programs and provide inventory control systems. All products should be reviewed to determine how manufacturing costs can be reduced without adversely affecting quality.

Programs should be developed to provide incentives for the inmate labor force, particularly in the area of participating in management functions.

Finally, to provide necessary fiscal systems and controls, a comptroller should be appointed. Responsibilities assigned to this position will include the development of financial goals with a system to measure performance, introduction of costing procedures and implementation of inventory control systems.

Many state institutions do not buy products from Correctional Industries because of poor quality, late deliveries and high prices. Implementation of the proposed program should result in at least a 15% improvement in sales through increased customer satisfaction. The annual saving to be realized — from direct contributions to the general fund and indirect economies offered to buying agencies — should amount to $1.75-million.

Implementation Strategy: The Governor and the commissioner should approve the proposed organization structure and take steps to appoint an advisory board and an executive director. The directors, Marketing and Operations, and the comptroller should have their programs ready for review by March 15, 1976.

210. Phase out the data processing center at Camp Hill.

The Industries Division operates a data processing center at Camp Hill. The objective is to train inmates in programming and computer operation techniques while performing EDP services for state instititutions at a profit. These goals cannot be met since the number of inmates involved is minimal, equipment obsolete and maintenance costs excessive. The operating loss for the first three quarters of fiscal 1975 was $5,000 and will increase significantly because of proposed contract cancellations.

Proposed Approach: The center should be closed and the work transferred to the state's central data processing center. An EDP training program should be developed by the Education Section of the Program Services Division and offered to inmates at all institutions. Termination of the maintenance contract would provide an annual cost avoidance of $18,000. A staff reduction of six positions would produce an annual saving of $83,500. The value of the present equipment is not known.

Implementation Strategy: The division director should authorize elimination of this activity and a transfer of the work load to the state's central data processing center. The chief, Education Section, should work with the Department of Education to develop EDP training alternatives for inmates. Total implementation time should require a period of 12 weeks.

YOUTH DEVELOPMENT CENTERS AND FORESTRY CAMPS

The Department of Welfare operates six Youth Development Centers and three Forestry Camps to rehabilitate delinquent minors. The total fiscal 1975 budget for these facilities was approximately $24-million. Some 70% of this amount was allotted to personnel services because of the high staff/student ratios. An educational program is budgeted and staffed separately at an annual cost of approximately $3-million.

RECOMMENDATIONS

211. Establish a manpower and cost control coordinator for the Youth Development Centers and Youth Forestry Camps.

There are wide variations in staff and operating costs for these facilities. Part of the problem is the absence of criteria to evaluate the cost effectiveness of operations. Recordkeeping practices are also inconsistent.

Proposed Approach: A manpower and cost control coordinator should be designated in the Office of Children and Youth to develop a business management program for the centers and camps. Detailed analysis of existing operations should be performed and a standard recordkeeping system implemented to provide data on staffing, maintenance and other operating expenditures. Although no specific savings are claimed, implementation should significantly improve the cost effectiveness of these operations and aid in implementing other recommendations. Benefits should more than offset any costs.

Implementation Strategy: The commissioner, Children and Youth, should appoint a qualified person to establish a manpower and cost control program for the centers and camps. The resulting system should be operational within six months and should provide a monthly analysis of activities in the various facilities.

212. Establish standards for use of counselors versus houseparents for Youth Development Centers and Youth Forestry Camps based on student populations.

There are no guidelines in regard to the most effective organization structure or staff level for these operations. As a result, significant variances exist in both the types and numbers of staff members in each installation. For example, lower-salaried houseparents are not used effectively at all institutions.

Proposed Approach: A standard table of organization should be implemented to provide a ratio of two counselors for every houseparent with the total staff level based on student populations. There should be no more than 16 students per housing unit to meet standards. On a three-shift basis, two persons would be required per unit on the first two shifts and one for the third. Houseparents should be used on the third shift for night duty. A three-unit facility, housing 48 students, would thus require a staff of 24 persons to provide 24-hour, seven-day coverage with a 40-hour workweek. This staffing suggestion takes into consideration the necessity to provide approximately 40 days of leave time for each of the employees. Unless justification exists for more personnel, staff levels should be adjusted accordingly. Implementation would provide an annual saving of $500,000 through position reductions.

Implementation Strategy: The commissioner, Children and Youth, should establish a standard organization structure and staff size within three months. Directors should accomplish position reductions during a second three-month period.

213. Reduce excess clerical and administrative staff at the Cornwells Heights Youth Development Center.

The ratio of administrative and clerical personnel for this center is significantly higher than levels maintained by other comparable operations.

Proposed Approach: A study of staffing levels and review of the center's work load indicates that seven clerical positions should be eliminated along with five professional personnel in the diagnostic center. Implementation would provide an annual saving of $207,000.

Implementation Strategy: After a comparative study of the center's personnel levels with similar institutions, the proposed reductions should be authorized by the commissioner, Children and Youth. They would then be implemented by the center's director. Clerical work assignments should be reviewed and redistributed. Additional assistance could be obtained from the Bureau of Management Services if required.

214. Reduce student vandalism at Cornwells Heights.

The cost of maintenance and repairs for cottage facilities at the Cornwells Heights Youth Development Center is nearly double that of similar institutions. The cause appears to be insufficient staff control of vandalism by the students.

Proposed Approach: The staff should exercise proper discipline to reduce vandalism. An inspection and reporting system should be established. Since cottages are staffed on a 24-hour basis, personnel on each shift should be responsible for reporting damage which occurs during that period, including the source. At the very least, this would ensure that hazardous conditions were corrected promptly. It would also act as an incentive to the staff to exercise greater control over such incidents. The system should be supplemented by unannounced spot checks.

These should be performed by personnel from the Southeast Pennsylvania Institutional Area Service Unit. Improving discipline should bring maintenance costs into line with those reported for the other centers in the system. This would result in an annual saving of approximately $200,000.

Implementation Strategy: The commissioner, Children and Youth, should authorize the center's director to work with service unit personnel to implement an effective reporting system. The director should review resulting reports and discuss them with staff members to ensure effective control of vandalism. He should submit periodic summaries to the regional director and the commissioner on the progress made.

215. Modify an appropriate MH/MR facility for use by juveniles committed to Camp Hill.

The Camp Hill facility must be closed under a court order and its population accommodated elsewhere. There are two problems. Existing juvenile facilities are already filled and have waiting lists of offenders being detained by local authorities. In addition, the type of juveniles committed to Camp Hill require greater security measures than are available in the Youth Development Centers and Youth Forestry Camps.

Proposed Approach: It has been recommended elsewhere that underutilized MH/MR institutions be phased out or modified for the other uses. An example would be the Laurelton State School and Hospital. It has a capacity of about 450, a scenic campus setting with a fine educational facility and cottages constructed to resist vandalism. Since its MH/MR population could be cared for in alternate facilities, this institution could be modified for use by Camp Hill offenders. Implementation would require a one-time expenditure of $500,000. However, there would be a one-time cost avoidance of $13.7-million to provide closed facilities authorized at Loysville and Philadelphia.

Implementation Strategy: The Department of Public Welfare and the Bureau of Correction should develop a plan to provide secure facilities for juvenile offenders through modification of underutilized MH/MR institutions. Implementation should be complete within one year.

216. Require counties to contribute to the maintenance of each juvenile admitted to a Youth Development Center or Youth Forestry Camp.

In fiscal 1975, the amount expended for the housing, education and rehabilitation of juveniles assigned to these facilities was $20.7-million, exclusive of capital expenditures. The state has little control over the number of commitments made by county judges and each institution must accept those made to the best of its ability.

Proposed Approach: In view of the increase in both costs and levels of commitment, the counties must accept a financial responsibility in regard to maintaining these operations. Pending legislation would require counties to provide 50% of student maintenance costs if a juvenile is committed to a state institution. However, the state would provide a 75% subsidy if commitment were to a county facility. This approach is desirable in that it should encourage utilization of lower cost community programs. Implementation would provide an annual saving of $4.6-million based on current expenditures.

Implementation Strategy: The department secretary should support legislation requiring county participation in supporting the centers and camps. The commissioner,

Children and Youth, should provide assistance to the counties in regard to establishing appropriate local programs for juvenile commitments.

217. Purchase standard-issue clothing for students from an approved list of vendors on a bid basis.

The Youth Development Centers spend about $300,000 annually on wearing apparel for the students. Contemporary clothing is desired for acceptance in the local community. Under the present system, clothing requisitions must be filled from Correctional Industries inventory. This is undesirable because the clothing is more expensive, institutional in appearance, not suited for the age group involved and difficult to obtain. Clothing not purchased in this fashion is bought from local merchants, again at higher prices than necessary.

Proposed Approach: Wearing apparel to be issued to students should be standardized and bids solicited from appropriate manufacturers, including Correctional Industries. Specifications should provide some flexibility in regard to colors and styles, although quality should be consistent. Based on the bid returns, schedules of acceptable vendors should be developed and used by the centers. Advantages of this approach include:

- Greatly improved purchasing power through dealing in volume.
- Better control of wearing apparel costs.
- Assurance of uniform quality.
- Reduction of losses due to abuse or destruction of undesirable clothing items.

It is estimated that implementation of the proposed program could reduce current expenditures by approximately 20% for an annual saving of $60,000.

Implementation Strategy: The commissioner should authorize development of a list of standardized clothing to be purchased for the centers and forestry camps. The items should be put out for bid and a schedule of approved vendors provided to the various facility directors. All purchases should be made from firms on this list. Exceptions to this practice must be documented for approval by the commissioner.

218. Use commercial laundry services at the New Castle Youth Development Center.

New Castle is the only center with its own laundry. However, the volume is not sufficient to warrant the expense of seven full-time employees. Approximately 50% of the laundry comes from Warrendale, a facility which will be phased out within a year.

Proposed Approach: Bids should be solicited from commercial laundries. When this was done for other institutions, the price was approximately $0.17 per pound for company-supplied linen and $0.14 per pound for institutionally-supplied linen. In either case, this is substantially below the $0.26 per pound at New Castle.

The present equipment should be sold or transferred to another state institution and the building converted into other uses. Based on current expenditures, the net annual savings would amount to $34,500.

Implementation Strategy: The commissioner should authorize the New Castle and Warrendale directors to solicit bids for laundry service. Upon acceptance of a contract, present laundry facilities should be closed and the equipment offered to the Bureau of Administrative Services in the Department of Welfare for disposal. Implementation should require approximately 60 days.

SECTION IV

Human Resources

The Governor's Review – 1975

HUMAN RESOURCES

Human resources management is concerned with using manpower resources effectively, fostering sound employee relations and providing opportunities for individuals to advance themselves. In reviewing this immense topic, the human resources team addressed itself to identifying key problems in present manpower management and personnel systems and recommending appropriate solutions. Basically, four major topics were examined on a statewide basis: productivity, organizational effectiveness, personnel practices and labor relations. Some of the recommendations encompass so many areas of government operations that no attempt was made to assign quantified benefits. Many of the points made merely reflect basic principles of management, but there is a need to give them emphasis and to design specific approaches for implementing them effectively.

In the area of productivity, team members concerned themselves with both aspects of this problem — how to measure it and how to improve it. To increase operational productivity, the state must quantify its current resources and manpower requirements, establish appropriate goals and implement and monitor a program capable of achieving the objectives which have been established. Measurement is a vital ingredient in all of these areas. In developing a base for a productivity improvement program, the team members concluded that more than half of the state's employees can be included in productivity measurement approaches.

Achievement of productivity goals will require enthusiastic top management support, and will involve a wide variety of management techniques, combinations of which should be specifically tailored to each situation. One of the most important will be the establishment of a statewide program of management by objectives. This will involve coordinated development of time-oriented commitments by all members of management, leading to a common set of objectives. Other productivity improvement techniques include: manpower management programs incorporating work sampling activity logging, flow charting, work simplification, establishment of time standards, staffing analyses, work scheduling and control and work force adjustment strategies; job enrichment; flex time; motivational programs; effective performance reviews; incentives; and facility layout.

Two organizational areas of prime importance were also identified. In an effort to reduce the Governor's direct span of control and permit him more time to concentrate on policy and program matters, the coordination of administrative functions by a state manager has been proposed. Considerable merit is also seen in the regionalization concepts proposed by the Office of State Planning and Development and the Governor's Commission on Human Services. Under this approach, a framework would be established to coordinate all agency activities at a regional level in order to provide complete services to citizens on a practical, local basis.

Significant opportunities for improvement exist in the areas of personnel practices and labor relations. Programs are needed to eliminate managerial shortcomings which stem from lack of adequate training and coordination. It is felt that the Office of Administration should implement effective training programs in the areas of labor relations and general management principles and techniques.

To further strengthen the personnel and labor relations functions, a consolidation of existing activities into a new Department of Employee Relations has been proposed. Overview studies of the Departments of Agriculture, Environmental Resources and Labor and Industry as well as the Civil Service and Public Utilities Commissions were also conducted. Proposals for operating improvements in these areas are included in the following report.

PERSONNEL AND LABOR RELATIONS

Personnel and labor relations functions within Pennsylvania are carried out by three organizations — the Civil Service Commission, the Bureau of Labor Relations and the Bureau of Personnel.

The primary responsibility of the Civil Service Commission is to administer the provisions of the Civil Service Act of 1941 and its subsequent amendments. The three commissioners are appointed by the Governor and approved by the Senate on a bipartisan basis. During their six-year terms, they set policies and provide overall administrative control for the commission. Of Pennsylvania's approximately 123,000 employees, 76,000 are covered by the Civil Service Act. An executive director guides the commission's 214 employees within an organization consisting of five bureaus: Administrative Services, Manpower Forecasting and Recruiting, Audit and Technical Services, Data Processing and Examinations. The fiscal 1975 budget was more than $4-million.

The Bureau of Labor Relations in the Office of Administration carries out the provisions of two legislative acts, 25 union agreements and 15 related memoranda covering 108,000 state employees. The bureau's fiscal 1975

budget was $365,000. Its 18 employees function in three major areas: grievance resolution; negotiations and arbitration; and administrative and staff services. Their efforts have significant impact on the state payroll and benefit expenditures which approach $1.9-billion. The bureau investigates and defends management's position in all grievances unresolved at the agency level, including the further step of arbitration. Staff also interprets provisions of labor agreements and prepares and issues guidelines for personnel management at agency levels.

The Bureau of Personnel in the Office of Administration has a total staff of 90. Its fiscal 1975 budget was approximately $1.7-million of which $760,000 was derived from sources other than state funds. Activities encompass six functional areas: personnel management review; training; classification; manpower planning and special studies; operations (wages, benefits and the like); and intergovernmental personnel programs.

RECOMMENDATIONS

219. Merge functions of the Civil Service Commission, Bureau of Personnel and Bureau of Labor Relations into one cabinet-level Department of Employee Relations.

The Civil Service Commission, Bureau of Personnel in the Office of Administration and Bureau of Labor Relations all engage in personnel relations work for the state. In addition, some 435 people are employed in various agencies to handle personnel functions. This means that, except for merit system regulations, there is no single effective source of authority in regard to state employment policies and practices. With the advent of union activity in government, it has become critical for the state to establish and enforce uniform, consistent and well-controlled personnel policies. Without such leadership, there will be a growing waste of manpower resources and a gradual loss of management authority.

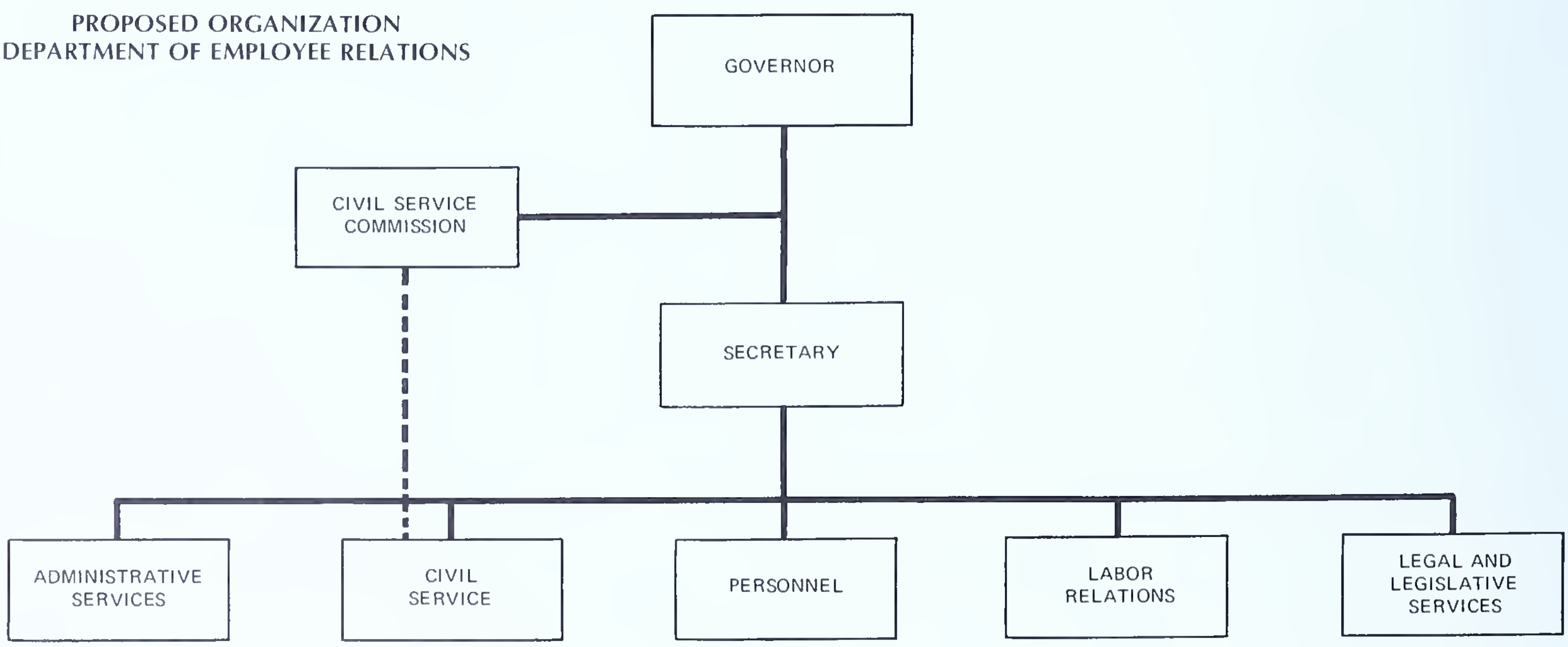
Proposed Approach: To provide statewide personnel policy control, functions of the existing Bureaus of Personnel and Labor Relations as well as certain activities of the Civil Service Commission should be merged into a single Department of Employee Relations. It should be headed by a cabinet-level secretary, appointed by the Governor and confirmed by the Senate. The proposed organization structure is depicted in the chart shown below.

The Civil Service Commission will continue in existence although its administrative responsibilities would be transferred to the new department. The commission would continue to establish rules in regard to all commonwealth merit systems and would monitor and enforce compliance within state agencies. Upon request, it would conduct investigations, hold hearings and render decisions regarding demotions, furloughs, suspensions and removal of merit system employees. It would also advise the Governor on legislative changes relating to merit systems.

The proposed secretary, Department of Employee Relations, would be responsible for establishing and administering employee relations policies throughout the commonwealth. He should endeavor to stimulate good relations between the state and its employees under a disciplined atmosphere which protects the rights of management while recognizing those of individuals.

The proposed organization will include the following bureaus: Administrative Services, Civil Service, Person-

PROPOSED ORGANIZATION
DEPARTMENT OF EMPLOYEE RELATIONS



nel, Labor Relations and Legal and Legislative Services. Administrative Services will consist of the following staff divisions: Personnel Systems and Procedures; Office Services; Budget and Cost Control; and Employee and Union Relations. Civil Service will encompass these divisions: Manpower Planning and Recruitment; Examinations; and Audits and Certification. In regard to recruiting activities, it is felt that the local offices of the Bureau of Employment Security in the Department of Labor and Industry could become the principal dispensor of government employment applications. Under the proposed organization, the Bureau of Personnel would include the following divisions: Wage and Salary Administration; Training and Development; Personnel Practices; Intergovernmental Programs; and Employee Benefits. Labor Relations would consist of these divisions: Arbitration and Negotiations; Contract Administration; and Grievance Processes. Legal and Legislative Services would have no divisions reporting to it. This bureau would be responsible for providing the department with legal representation, advice and interpretations in regard to existing and proposed laws and regulations.

Implementation would permit elimination of 15 of the 93 administrative positions which exist in the three affected organizations. Using the Bureau of Employment Services to distribute civil service applications should lower staff requirements by another five positions. In addition, the elimination of duplicate activities at the agency level should permit a 5% overall reduction for an additional 22 terminations. The annual savings to be realized would amount to $500,000 using an estimated average of $12,000 per position. Although potential cost avoidances resulting from improved personnel activities are substantial, a definite figure cannot be formulated.

Implementation Strategy: As directed by the Governor, the secretary, Office of Administration, should initiate a study to outline the steps necessary to establish the proposed department. Data should be complete within 90 days and enabling legislation should be prepared. When the legislation has been enacted, the Governor should appoint a secretary to head the department with Senate approval. It will be the secretary's responsibility to implement department responsibilities as outlined by the governing statutes.

220. Revise Public Employe Relations Act 195 for greater protection of public interests.

The Public Employe Relations Act 195 was passed in 1970 in an effort to improve on weaknesses in the Public Employe Act of 1947. The new act required public employers to bargain collectively, eliminated mandatory penalties of the 1947 act and permitted strikes by public employees except when it would present a danger or threat to public health, safety and welfare. An attempt was made to protect against strikes through provisions for compulsory fact finding and mediation. However, there are no penalties against union leaders for failure to request mediation or against union members for failure to report for work. Even in those cases where there appears to be a threat or danger to public health, welfare or safety, injunctive relief must be sought to end a strike.

While the new legislation provides generally for the protection of employee and management interests, it fails to adequately recognize the public interest. The act does not fully address the monopoly nature of government nor provide protection to prevent excessive drain on public revenues. Because of the lack of restraint on strikes, public negotiators are placed under great pressure to make economic concessions in order to assure the maintenance of public services.

Additionally, there has been a recent tendency to introduce legislation, such as a limitation on welfare caseloads, covering bargainable issues. Such statutes would further reduce management capability to bargain effectively in recognition of the interests of civil servants as well as the taxpaying public.

The desire and need for strike restraints in the public sector has been supported in every state of the United States, with the exception of Pennsylvania, Alaska, Hawaii and Minnesota.

Proposed Approach: To develop fair, orderly and workable guidelines for employee/employer relations in the public sector and to ensure the quality and availability of public services within reasonable and affordable tax structures, it is proposed that the Governor appoint a special panel to investigate all aspects of the act and recommend changes. The panel should represent and protect the interests of the taxpaying public while maintaining a concern for the protection of the civil servant without prejudice to the rights of public employers. This panel should consist of a chairman and four other Pennsylvania residents.

While the panel should determine its own mode of operation, it is felt that it should have an adequate staff to conduct detailed investigations. Although hearings will undoubtedly be necessary, they should be used for purposes of reporting and eliciting public comment and not as a substitute for investigation.

In particular, the panel should investigate:

- The effect of unionization on the quality of public services.
- The results which contract settlements have on wages and increased taxation.

- Comparative studies of fringe benefit plans in the public sector and appropriate areas of the private sector.
- The influence of strikes and threats of strikes on contract settlements.
- The use of a secret ballot to allow public employees to accept or reject the last offer of settlement made by the employer when an impasse develops in negotiating a labor agreement.
- The development of a technique to provide binding resolution of disputes where the last offer of settlement is rejected.
- The effectiveness of severe monetary penalties in the event of illegal strike activity.
- Prohibition of legislative involvement in matters which are proper subjects of collective bargaining such as work loads, wage increases, benefits, incompatibility of civil service regulations with labor agreements and the like.

Implementation Strategy: The Governor should select a distinguished resident of the state to chair a nonpartisan review of Public Employe Relations Act 195. The chairman would then name four qualified and available individuals to serve as members of the panel. The panel should be provided with office space and funds to acquire the necessary staff. While the panel should be allowed adequate time to properly investigate and report, a preliminary report of findings should be available within six months with a final report and recommendations in no more than 12 months.

221. Provide effective management training programs for state personnel.

The management of huge sums of money, direction of large and varied work forces and maintenance of vast property and equipment holdings require extremely dedicated and effective management personnel. Despite this need, management training and development activities in most state agencies are minimal. Employee morale suffers when personnel feel they are not equipped to cope with job responsibilities.

Proposed Approach: A directive should be issued by the Governor's Office requiring agency heads to furnish the Office of Administration, Bureau of Personnel, with a definitive plan for implementing training programs required by management personnel. These plans would be reviewed and modified in cooperation with the agencies. It would then be the responsibility of the Training Division, Bureau of Personnel, to establish priorities and provide cost estimates for required instructors, materials and equipment. The Training Division would become the primary source for state training development activities and agency guidance. Although such activities are ostensibly included in agency budgets, the magnitude of the current training deficiency will probably require additional expenditures. However, the training is necessary to implement other recommendations made in this report.

Implementation Strategy: Establishment of the proposed training effort will require the following steps:

- A directive must be issued by the Governor's Office requiring agencies to develop and submit training plans to the Office of Administration within 60 days.
- The plans should be evaluated and modified by the Office of Administration in cooperation with the agencies.
- When all plans have been approved, the Training Division should assign priorities and establish projected needs for implementation. Estimates should be submitted for approval and action taken to put the proposed programs into effect. The division should provide assistance in implementing agency programs and should monitor their progress.

222. Develop and conduct a management training program on administering labor agreements and policies.

It is vitally important that state managerial personnel be knowledgeable in union-management relations to protect the state's employer rights and avoid costly misjudgments. Presently, there is substantial evidence that labor agreements and state policies are not being administered properly. There are instances of sick leave abuse, incorrect disciplinary action and unenforced work standards. There is a lack of understanding in regard to union agreements and their effect on state employee policies. Many supervisors are unaware of the problems created by precedent-setting past practices.

The Bureau of Labor Relations and the Training Division, Office of Personnel, have conducted some courses in the interpretation of union agreements, but because of limited time and personnel, it has been too general. Currently, a consulting firm is preparing material for similar training, but it is too general and does not concentrate on the most sensitive problem areas. The Training Division has developed excellent class matter on disciplinary procedures, yet it fails to provide adequate guidelines for penalties. Without consistent and uniform application, disciplinary action is difficult to sustain in grievance procedure and arbitration.

Proposed Approach: To protect the state against the consequences of mismanaged labor relations, immediate steps should be taken to provide concentrated manage-

ment training in the more crucial provisions of union agreements. Unless managerial personnel become knowledgeable in interpreting key provisions of these contracts and exercise their prerogatives at the earliest possible date, management rights will deteriorate.

The important provisions around which training material should be concentrated involve management's right to:

- Direct the work force.
- Plan and schedule use of state property.
- Discipline employees for cause.
- Control rates of pay and use of fringe benefits.
- Determine the number of employees needed.
- Insist that an employee carry out an order.
- Maintain contract limits on the authority of union representatives.
- Determine what constitutes a legitimate grievance.

Furthermore, the training must explain how these rights are to be exercised under day-to-day operations. Also, the need for documentation under certain conditions must be emphasized. Managers should be told to seek advice when in doubt and to avoid displaying ignorance of contract provisions.

Since speed is essential in initiating this special indoctrination, the Bureau of Labor Relations and the Training Division of the Bureau of Personnel should immediately begin to develop material, train instructors and establish schedules for conducting classes for all agencies and in all locations throughout the state. The use of mass media techniques such as closed-circuit TV and self-teaching courses should be fully exploited. The temporary employment of outside training personnel should also be investigated.

Labor agreements and memoranda have a substantial impact on billions of dollars in expenditures for salaries, benefits and property use. Although the cost of failure to properly administer labor agreements is incalculable, the amount could be staggering. Adequate training of management personnel would contribute greatly to minimizing such cost.

Implementation Strategy: Development of this specialized training program requires that the secretary, Office of Administration, authorize:

- The Bureau of Labor Relations to identify those labor agreement provisions in all memoranda of agreement and Act 195 which can have some restrictive effect on the right of the state to direct the work force effectively and efficiently.
- The Training Division to develop material and programs to conduct courses for all exempt management personnel, concentrating on all labor agreement and statutory provisions identified by the Bureau of Labor Relations.
- Agency management and personnel officers to draft a priority listing of individuals to be trained and forward those lists to the Training Division.
- Training to examine lists and determine what resources would be required to complete the program within six months.
- Training to obtain approval from the Office of Administration to acquire those resources and initiate procurement action.
- Training to select instructors and begin instruction as soon as material and equipment are available.
- Training to set up schedules for individuals listed and submit them to the Office of Administration.
- Administration to approve scheduled lists and work out any agency-requested changes.
- Training to assign program resources according to schedules.

223. Eliminate supervisory personnel from employee bargaining units.

State legislation identifies a supervisor as an individual who has authority in the interest of the employer to hire, transfer, suspend, layoff, recall, promote, discharge, assign, reward or discipline other employees, or responsibly to direct them, adjust their grievances or to effectively recommend such action. Occupations of most state employees are substantially clerical or professional in nature. Within these areas, it is common for a supervisor to perform basically the same duties as personnel being supervised. Consequently, there is a tendency to classify supervisors by the jobs they perform rather than their administrative responsibilities. This has allowed many job classifications to be incorrectly certified as part of an employee bargaining unit, thereby removing the supervisor's authority over the unit.

In certification hearings, inclusion of employees in a bargaining unit was determined strictly by classification titles on a statewide basis. No consideration was given to differences in responsibilities which might exist in identical position titles at various agencies or locations. The result has been a severe curtailment of supervisory control.

Proposed Approach: All jobs with supervision responsibilities should be reviewed for possible decertification from employee bargaining units. Consideration should also be given to modifying some job requirements to

qualify a classification for such exclusion. If the governing statutes are properly interpreted, many jobs now eligible for union membership could be excluded. Such action is required to provide proper supervisory control. Implementation should be accomplished as quickly as possible or past-practice precedents will seriously hamper the effectiveness of existing supervisory positions.

Implementation Strategy: The following activities should be authorized by the secretary, Administration:

- The Bureau of Labor Relations should prepare guidelines for agency use in examining classifications which encompass supervisory responsibilities, but are certified for membership in bargaining units.
- Agencies should determine which classifications require revision to qualify for decertification and should submit recommendations for these changes to the Bureau of Personnel.
- Personnel should submit a list of classification revisions and job descriptions to the Bureau of Labor Relations, along with adequate justification for the proposed changes.
- Labor Relations should work with the agencies involved to prepare evidence for decertification hearings. Petitions should be ready for submission to the Pennsylvania Labor Relations Board within four to six months after the initial agency request.

224. Implement completed position classification studies and continue classification reviews.

The existing classification system has not been updated for several years. As a result, employee grievance appeals regarding reclassification consume approximately 14,700 man-hours per year at a cost of approximately $150,000. Since 1972, the Bureau of Personnel has completed studies covering 45,000 employees in 150 classifications. Of these, only 21 revised classifications, encompassing 5,500 employees, have been put into effect. Another 10 classifications, affecting 1,500 personnel, are being implemented. A major stumbling block to effective use of these studies has been the state's attempt to obtain union cooperation. This has not been forthcoming, but there is a reluctance on the part of the government to take unilateral action in implementing changes.

Proposed Approach: Representatives from the Bureaus of Personnel and Labor Relations as well as appropriate staff from each state agency should meet to discuss implementation of classification revisions, the impact on employees and how to deal with adverse reactions. Sufficient time should be allowed to obtain opinions from agency heads and to resolve negative positions. Once a consensus is reached, a firm policy should be formulated and unilateral implementation begun. The initial effort will probably result in an influx of employee grievances. However, such problems must be faced if Pennsylvania is to deal effectively with wage and salary control. Implementation will permit agencies to forecast personnel expenditures more accurately and should fulfill the state's objective of maintaining an equitable pay structure. Potential savings cannot be quantified.

Implementation Strategy: In order to implement study results, it is proposed that:

- Personnel units in each agency, under guidance from the Bureau of Personnel, assign appropriate classifications to employees covered in the studies.
- These units should prepare and distribute appropriate notices regarding changes. Management should be informed 15 days in advance of employee notifications. Unions must also be given ample time to react to these changes. They must be apprised of the plans, procedures and the state's obligation and right to revise existing structures.
- Time limitations on filing grievances in the first step may have to be extended to 30 days during this initial implementation period.
- Employees should be notified of classification changes by a paycheck attachment. Those whose status will remain the same should be informed in the same way. Notifications should be made two pay periods in advance of the effective date of the change.

225. Implement an improved performance evaluation system for judging all levels of supervisory personnel.

The prevailing system lists 10 personal traits with a scale of 13 levels of performance, ranging from "excellent" to "unsatisfactory." It is used for all categories of employees —supervisory, nonsupervisory, civil service and noncivil service. The system is ineffective because it produces subjective judgments and does not provide the employee with adequate guidance to improve his performance. The need for a new approach has been recognized and the Office of Administration has established a multi-department commission to design a performance evaluation system. However, to be effective, specific types of performance evaluations must be developed which recognize the differences between supervisory and nonsupervisory personnel and promote dialogues.

Proposed Approach: To measure the contribution of an individual administrator effectively, an improved system of performance evaluation designed for supervisory personnel should be implemented throughout all state agen-

cies. It is anticipated that this system will be an integral part of the formal programs of management by objectives and nonfinancial incentives discussed in other recommendations. However, implementation of the evaluation system should proceed immediately to realize the benefits of improved performance as quickly as possible.

In an effort to maximize objectivity, the system should emphasize examination of the employee's contribution in realizing pre-determined objectives over which he exercised control. The supervisor should commit himself to achievement of specific objectives each year and be made aware that he will be measured by the degree of accomplishment. At the end of each year, overall progress should be documented and the supervisor informed of his accomplishments and shortcomings. Data should also be developed in regard to promotability and individual strengths and weaknesses. The appraisal interview should be documented and the report signed by the supervisor being evaluated. Implementation will require clear definitions of job responsibilities to provide the criteria for evaluating performance.

Implementation Strategy: The Bureau of Personnel should design a performance evaluation system which will be compatible with an overall program of productivity improvement, management by objectives and nonfinancial incentives. It should conduct training sessions to ensure that agency personnel use the plan properly.

Within six months, the agencies should be requested to begin using the system. The Bureau of Personnel should also develop procedures to administer merit salary increases for supervisory personnel which would be compatible with the performance evaluation plan. Review procedures should be completely established by October 1, 1976, while the merit system should be in effect by October 1, 1978.

226. Implement an improved performance evaluation procedure for nonsupervisory employees.

Since the advent of union bargaining agreements, the use of performance appraisals for nonsupervisory employees has declined and become essentially ineffectual. The rationalization is that such reviews are only worthwhile for wage systems providing merit increases, which the union contracts do not. Another factor is the ineffectiveness of the present evaluation procedure. However, a well conceived and thoroughly implemented system of performance reviews can do much to improve the morale, attitudes and the contributions made by nonsupervisory employees. It is too important a management tool to overlook.

Proposed Approach: The Bureau of Personnel, in cooperation with the Civil Service Commission, should develop a viable performance review system which meets the needs of line managers and requires them to schedule evaluation interviews for all subordinates. Participation of such managers in all sizable agencies should be sought in designing the proposed system. Emphasis should be placed on requiring supervisors to identify each subordinate's strong and weak points in writing. These written evaluations must also include suggestions in regard to what the employee should do to improve his performance and enhance his career opportunities. All levels of management must be thoroughly trained in the procedures required to implement such a system effectively. Each nonsupervisory employee should be reviewed annually. The Bureau of Personnel should monitor agency review practices for thoroughness, objectivity and program continuity. It should audit the efficacy of the system through periodic interviews with supervisory and nonsupervisory personnel. Implementation will provide the state with a means of encouraging the growth and improving the productivity of its employees.

Implementation Strategy: The Bureau of Personnel will be responsible for working with the Civil Service Commission to develop an effective nonsupervisory performance evaluation program. It will also implement a training program for agency personnel in regard to the system's use and assist in agency implementation as required. Program development should require three months while implementation is expected to take nine months more.

227. Implement effective exit interview techniques.

The voluntary turnover rate for state employees is approximately 10.2%. One of the most effective means for identifying causes of high turnover is the collection of data through exit interviews. For the most part, agencies make little or no use of this technique.

Proposed Approach: An appropriate procedure should be developed so that exit interviews can be used to identify the major reasons for employee separations. Interviewers must be trained and supplied with effective guidelines in order to solicit information from these employees with a minimum of interrogation. Controls should be established to make such interviews a normal separation routine. It is estimated that the state spends approximately $2,000 in placing one person on the payroll. Therefore, each 1% reduction in turnover could provide an annual saving of $2.4-million. No saving is being claimed.

Implementation Strategy: The Bureau of Personnel in the Office of Administration should be responsible for developing a workable exit interview procedure within 30 days. It must also establish a training program for agency personnel in order to implement an effective interview system. Data developed can be analyzed and corrective action taken to reduce employee separations.

228. Absorb patronage jobs protected by labor agreements into the merit system.

There are approximately 110,000 permanent employees on the state payroll. Of this number, 85,000 are covered by the civil service merit system and 25,000 are patronage jobs. Prior to unionization, an unsatisfactory patronage employee could be terminated with little difficulty. However, most of these positions are now covered by labor agreements, making removal difficult, time-consuming and expensive.

Proposed Approach: Absorbing patronage jobs into the civil service merit system would ensure acquisition and promotion of more qualified employees and reduce the necessity to terminate staff for cause. Therefore, all bargaining unit jobs not presently covered by the merit system should be placed under civil service. The potential savings to be realized from better employee selection methods are significant, but cannot be quantified. An additional benefit could be a reduction in grievance filings since this mechanism is used to combat agency efforts to remove or discipline unsatisfactory patronage personnel.

Implementation Strategy: The following steps should be taken to implement the proposed change:

- The Governor's Office should evaluate the benefits of transferring bargaining unit patronage jobs to civil service status. It would then have to muster support for the program.
- The Governor's Office should sponsor enabling legislation to affect the change.
- The Bureau of Personnel and the Civil Service Commission would be jointly responsible for initiating required procedures and documentation.

229. Establish a procedure to certify provisional appointees to permanent civil service status.

Studies made by the commission in 1974 show there are more than 2,100 civil service job classifications. Approximately 450 of these categories are staffed by employees serving as provisional appointees because no examination program exists. The fundamental difficulty is that the commission does not have adequate development resources to generate equitable, job-related tests for its complete variety of classifications. To provide such resources — when some classifications may cover only one employee — would not be feasible or necessary.

This problem of provisional appointments is compounded in situations where job openings exist, but tests fail to produce eligible candidates willing to accept appointment. As of March 1975, there were 3,000 provisional appointees working for the state.

Proposed Approach: A procedure for certifying provisional appointees to permanent civil service status should be implemented. To do this, a study should be made of all pertinent information concerning provisional appointments. From those data, classifications for which merit tests should not be developed can be identified. In addition, positions which, because of the skills requirement or location, are unlikely to be filled by open examinations could be isolated. Once the information is available, the commission should make reasonable attempts to reduce the number of such situations. It should create a plan for certifying certain provisional appointees, occupying these positions, to permanent status under tightly controlled conditions. This must be done in a manner which would meet the criteria for federal reimbursement of certain programs and would protect the integrity of the state's merit employment system. Such a plan would eliminate many nonproductive tests and provide a practical means to qualify more employees under federally reimbursed programs.

The Governor's Review-1972 estimated that Pennsylvania might be losing as much as $4.5-million annually in federal reimbursements because of the relatively widespread use of long-term provisional appointments.

Implementation Strategy: The following steps should be taken to certify appointees:

- The commission's Bureau of Audits should approve all provisional appointees who are performing satisfactorily in their jobs, after thorough determination that the appointees are the best available under prevailing conditions.
- The commissioners should authorize a study of such provisional appointments to identify the conditions which caused them. Findings should be evaluated with the aim of removing certain job classifications from appointee status.
- The Bureau of Examinations should develop test material suited to the classifications relieved of provisional appointee requirements.
- Both the Bureaus of Audits and Examinations should establish a policy whereby six months of satisfactory work could qualify a provisional appointee for civil service certification, based upon recommendation by the agency and approval by the Bureau of Audits.
- The commissioners should obtain approval of this certification procedure from appropriate federal agencies.
- The commission staff should provide periodic control reports on the status of provisional appointments for management review.

230. Ensure that all future union contracts contain language stopping payment or accrual of benefits during any strike.

Current agreements between the state and three unions representing a total of 80,000 employees have similar language concerning wage reopening, a no-strike clause and contract termination. Each three-year agreement runs until June 30, 1976. However, the reopener provision allows resumption of negotiations on wages and other economic issues for the final contract year. It also specifies that the no-strike article is not applicable during reopened talks. The termination clause has no reference to that fact. It merely states that the agreement continues in full force through June 1976. This could obligate the state to pay contracted employee benefits for the entire three years.

Proposed Approach: Future union agreements must contain language stopping the payment or accrual of benefits to striking employees or those prevented from working by strike action. Benefits which accrue through tenure would not be affected and articles concerning them would require no revision. Termination clauses should identify any provisions which might not remain in force for the full term of the agreement and all their attendant conditions.

The state should continue paying insurance premiums during a strike but they should be deducted from subsequent pay on a pro rata basis. From a social standpoint and for both public and employee relations value, it is unwise to cancel insurance on striking employees. However, they should be required to reimburse the state.

The state pays approximately $98-million annually in employee insurance premiums, or about $268,000 daily. Strikes seldom end before two weeks to a month have elapsed. Recoverable premium payments for the state for just 15 days would amount to more than $4-million. For the 80,000 employees recently involved in reopened contract negotiations, insurance premiums would cost about $2.9-million during a 15-day strike.

In the same period, those personnel would accrue leave benefits worth an estimated $2.5-million. Though no savings are claimed, these figures indicate the huge savings potential attached to having a contract provision for stopping benefits to strikers. Furthermore, deferring payment during strike periods of previously accumulated sick leave benefits would permit the earning of additional investment income.

Implementation Strategy: To ensure that the state is not liable for benefit payments to strikers, the secretary, Office of Administration, should direct the Bureau of Labor Relations to:

- Examine all union agreements to determine whether all provisions are compatible and if those concerning reopened negotiations are covered in the termination section.
- Ascertain what language changes are needed to protect the state against accruing and/or paying any benefits to employees on a legal strike. It is assumed that an illegal strike temporarily negates all benefits. If not, the language should cover all strike actions.
- Modify insurance program language to provide that the state be reimbursed by employees for all premiums paid during a strike, on a pro rata basis, through payroll deductions.
- Demand protective language in future union agreements. This is a reasonable demand and should be supported against all union counter action.

231. Ban first-level supervisors from membership in any unit connected to a bargaining unit for public employees other than those for first-level supervisors.

A legislative act stipulates that public employers shall not be required to bargain with units of first-level supervisors, but shall meet and discuss matters deemed bargainable for other public employees. This provision was meant to separate supervisory personnel from other employees and to identify their responsibilities to management. Such supervisors are to be excluded from membership in bargaining units formed for public employees. The intention of this rule was to avoid potential conflicts of interest. Unfortunately, the term "unit" as applied to groups of first-level supervisors has been interpreted to be not sufficiently exclusive. Consequently, they are forming units affiliated with authorized bargaining units for other commonwealth personnel. As a result, some 7,500 supervisors are currently affiliated with the same union as other commonwealth employees whom they supervise. This inhibits the supervisor in fulfilling his management obligations, particularly in regard to disciplinary actions.

Proposed Approach: To reestablish the loyalty of first-level supervisors to management and to improve the quality of supervision, existing legislation should be modified to prohibit any union ties between a supervisor and subordinates. Implementation should improve supervisory capabilities significantly.

Implementation Strategy: After authorization by the secretary, Administration, attorneys in the Bureau of Labor Relations should prepare an amendment to the governing statutes. It should be submitted to the Governor's Office for introduction in the House. The bureau should communicate its intentions to all supervisors and explain its reasons. After enactment, the bureau should initiate de-

certification proceedings against supervisory units which do not comply with the revised requirements.

232. Implement an information system to monitor employee punctuality and use of sick leave and personal days.

The Bureau of Personnel has established policies intended to control sick leave, absenteeism, employee punctuality, personal leave and other "paid for, but not worked" time. However, there is no established flow of information from the various agencies to the bureau to ensure that these policies are being uniformly and consistently applied to state employees. At present, there is evidence of widespread abuse in regard to time-off privileges. One practice which should be eliminated is the taking of accumulated sick leave just prior to retirement. In effect, this results in the employee leaving his position while officially remaining on the payroll. This practice prevents the state from filling such vacated positions until the official retirement date. Overtime and temporary staff must then be used to fill resulting gaps.

Proposed Approach: The Bureau of Personnel should establish enforcement of a statewide policy regarding control of paid leave at all organizational levels. It should implement an information system which will enable the bureau to monitor compliance levels. If the state could achieve a reduction of two days of paid sick leave per year per employee through effective training, management and motivation, an annual saving of $2.2-million could be realized. This is only a small indication of the potential that improved control could achieve and is a realistic goal in comparison to results achieved in the private business sector.

Implementation Strategy: In order to realize the potential benefits, the following steps should be taken:

- The Bureau of Personnel in the Office of Administration should issue a directive forbidding state employees to take accumulated sick leave prior to retirement without documented proof of disability.

- The bureau should review its policies on paid leave. Revisions should be made and controls designed to ensure proper implementation.

- The Bureau of Labor Relations should develop a definitive policy and procedure to discipline employees for abuses of time-off policies.

- The Office of Administration should meet with appropriate agency representatives to discuss existing policies and proposed revisions.

- The Bureau of Personnel should work with the Bureau of Management Services to develop a practical information system to monitor time-off activities. Conceivably, such a system could be incorporated into an overall payroll procedure. This should be augmented by spot checks conducted by agency personnel units.

- The Bureau of Personnel should develop a program to solicit assistance from the medical profession in controlling sick leave abuses. A medical form should be developed for use in certifying state employee illnesses or injury.

233. Design an information retrieval system to monitor the administration of union agreements and labor relations policies by state agencies.

During contract negotiations, the state may be unprepared to protect its interests and properly evaluate union demands because it lacks information on day-to-day labor relations problems encountered by commonwealth agencies. Furthermore, between the time a union agreement is signed and the time management personnel become knowledgeable in its administration, the state's rights can be seriously jeopardized. Substantial and unwarranted costs can accrue due to mismanaged control of wages, fringe benefits, work standards, absenteeism and tardiness.

The crux of the problem is that, unwittingly, a supervisor may make a decision on a seemingly minor personnel problem, and thereby create a precedent or "past practice" which is extremely difficult to overturn in any later arbitration. Even if managers are trained to closely administer labor agreements, they have a natural tendency to backslide. Understandably, unions take advantage of any such management weakness to achieve new gains at state expense. Past practice is the unions' major tool for winning mediated disputes. For the state to defend itself or win demands of its own, it must supply supporting data — but is presently unable to do so.

Proposed Approach: The Bureau of Labor Relations should monitor the administration of union agreements by state agencies through an information retrieval system designed to collect, summarize and evaluate pertinent data.

The bureau should examine all labor agreements and select those provisions on which they need data concerning complaints and grievances and related agency responses. Where possible, coding should be used to reduce information to forms easily summarized and evaluated, perhaps by computer. Agencies must furnish this information on a timely basis. This would enable the bureau to recognize any weakness in administration of agreements and/or policy that requires corrective action, such as a training program.

It is impossible to quantify any savings from this recommendation. However, the data generated for monitoring purposes could prove invaluable in contract negotiations, grievance handling and arbitration.

Implementation Strategy: To successfully monitor the administration of labor agreements and policies, the secretary, Office of Administration, should authorize the Bureau of Labor Relations to:

- Examine union contracts to identify provisions under which there is great potential for erosion of management rights and/or loss of control over wages and employee benefits. Future contracts should prohibit establishment of new "past practices" without written agreement by both parties.
- Determine the feedback needed to keep a check on these provisions and set a reporting schedule for agency personnel officers.
- Contact the Bureau of Management Services to explore computer processing of reported data. If computer use is feasible, the Bureau of Management Services and the Central Management Information Center should develop the program and advise the Bureau of Labor Relations on necessary coding and form construction.
- Join the Bureau of Management Services in writing procedures for reporting and retrieval.
- Arrange for the Office of Administration to issue instructions and procedures to all agencies.
- Plan for procurement and distribution of reporting forms.
- Allow reasonable time for agencies to raise questions and organize their reporting effort.
- Establish a date to initiate procedures. As data are received, they should be promptly analyzed and acted upon.
- Maintain a data bank for use in grievance procedures, arbitration or contract negotiations.

234. Establish a reporting system to control the number of provisional civil service employees and, where necessary, to request continuations of nonmerit system staff on a timely basis.

The federal government reimburses the state for wages paid employees working in selected programs provided they are appointed under a merit system. Frequently, it is necessary to utilize provisional status employees pending certification of eligibility lists. At present, there are at least 450 job classifications in which one or more people are serving with provisional status.

Federal regulations provide that a provisional appointee may work for six months without loss of wage reimbursement to the state. Also, if justification can be provided for a failure to appoint merit system employees to the position after six months, a request for continuation of provisional appointees will protect the reimbursement. Usually one approval is sufficient so the procedure does not have to be repeated every six months. In the past, some agencies have neglected to exercise this option and subsidies have been discontinued.

Proposed Approach: To protect the state against such unnecessary losses of federal subsidies, a system of controls should be implemented to ensure appropriate action by the various agencies. The most important aspect of the system would be adequate monitoring of provisional status employees by agency personnel units so that exception requests can be made on a timely basis. A control should be implemented in the Bureau of Financial Management to ensure that such action is taken. The procedure should provide adequate time spans to meet such obligations within the limits identified by federal regulations. In view of the projected increase in federally reimbursed programs, implementation of effective controls could protect the state against substantial losses.

Implementation Strategy: To carry out the proposed program, the following steps should be taken:

- The Civil Service Commission should provide a written description of the steps required to continue federal reimbursements for provisional employees beyond six months.
- The Bureau of Financial Management should reiterate agency responsibility for protecting the state against loss of federal subsidies.
- The Civil Service Commission should develop a computer printout which will provide data on provisional employees, by agency, on a monthly basis. It should be compiled in a manner which will alert the agencies to their responsibility to appoint civil service employees, if available; request provisional status when necessary; and follow up with an exception request when provisional employees must be retained beyond six months.
- The Bureau of Financial Management should use this information to ensure action at the agency level. It should also monitor the Civil Service Commission's effectiveness in providing eligibility lists to agencies on a timely basis.
- Agencies should attempt to forecast manning requirements as accurately as possible to reduce the necessity for provisional appointments.

235. Provide computer-derived random sets of questions in printout forms ready for reproduction as examinations.

There are some 40,000 examination questions stored in a computer and coded by source, difficulty, vocational type and legal restrictions on use. To prevent examination cheating, the questions are interchanged manually in constructing the various tests. This time-consuming work is performed by 28 professional and seven clerical employees in the Bureau of Examinations. Although the bureau has achieved an 80% increase in productivity over the past eight years without adding personnel, the demand for tests continues to outpace the output. For fiscal 1976, the bureau is authorized to hire four more employees.

Proposed Approach: Manual test construction should be eliminated by programming the computer to produce random sets of questions in a printout form which can be reproduced as examinations. At present, stored questions are coded for almost all of the variables needed to write such a program. New questions are continually being selected and coded. However, obsolete material should be removed on a regular basis to optimize use of storage. Questions can be added or deleted easily by using the bureau's direct access terminal. This type of examination preparation capability will permit the bureau to meet test needs on a much more timely basis.

The commission also conducts oral interviews as part of its candidate selection system. Material prepared for this activity could also be stored in the computer and retrieved in random sets.

Elimination of all manual test construction should reduce the work load of the bureau's professional staff by 25%. Implementation would permit an overall reduction of seven professional and two clerical positions. The annual saving would approximate $120,000. One-time implementation costs should not exceed $10,000.

Implementation Strategy: The executive director should authorize the Bureau of Examinations to:

- Describe in writing the manual method of test construction, as well as emphasizing the variables to be considered.
- Consult with programming personnel from the Central Management Information Center (CMIC) to ascertain what additional coding of questions may be necessary to write the programs.
- Perform any required coding.
- Confer with CMIC personnel about this description and resolve any programming problems.
- Coordinate activities with CMIC in regard to establishing a systems and programming plan and timetable for completion.
- Arrange for new tests to be electronically constructed by CMIC personnel.

236. Establish civil service testing locations and eligibility lists on a geographical basis.

Civil service examinations are generally open to all citizens of the state, regardless of the location of anticipated job openings. This is a wasteful policy since the majority of applicants will not relocate for a job, particularly when most civil service openings are entry-level positions.

However, many people will take the exams merely on the chance that a future opening may occur in an acceptable location. This results in a substantial amount of additional work to process applications, conduct examinations and contact eligible individuals, most of whom are uninterested in currently available positions. Studies by the commission show that 86% of merit system openings are in entry-level and nonprofessional categories. Further, data indicate 95% of all candidates considered for appointment are reluctant to accept a job more than 50 miles from their home.

Proposed Approach: To eliminate the waste associated with statewide testing for civil service jobs, the commission should establish testing locations and eligibility lists on a geographical basis. Experience indicates that dividing the state into five regions will significantly improve the testing, selection and appointment of candidates. Further refinements involving both locale and job classifications should be introduced on a gradual basis.

Implementation would drastically reduce the costs associated with handling some 300,000 valueless applications annually. The expenditure for forms alone is approximately $24,000 while the cost of storage, distribution and handling could add as much as $10,000. Although overall savings cannot be accurately quantified, professional analysis has indicated a potential reduction of 20% to 25% in both work load and material requirements. Based on the current commission budget of more than $4-million, a conservative estimate of annual savings would be $500,000.

Implementation Strategy: The commissioners should empower the executive director to take the following steps:

- Establish five regional testing sites, based on studies conducted by the commission.
- Instruct the legal staff to examine the revised plan to determine if there is a need for enabling legislation.

- Have such legislation prepared, if required.
- Update current regulations to include a complete procedure to implement the regional concept.
- Set up provisions to administer the merit system for certain jobs and specific situations on a county basis.
- Incorporate sufficient flexibility into the regulations to permit the commission to localize testing and eligibility lists as warranted by experience.
- Allow a candidate to be placed on more than one regional eligibility list, upon request, with removal to follow if appointment in a second region is refused.
- Structure the system so that applicants must assume more responsibility in seeking state government employment.
- Contact all government agencies and points of application distribution to ensure that personnel are familiar with revised regulations.
- Implement statewide monitoring and control of the new procedures.

237. Use optical scanning equipment to examine civil service applications.

The Civil Service Commission receives job applications at a rate in excess of 15,000 per month. All are examined manually. Based on 1974 statistics, some 16% will have to be returned to the applicant because of errors and omissions. The commission has been trying unsuccessfully to use optical scanning equipment to process the forms. The problem is that the required data results in excessive density and forces the applicant to be exceptionally careful in completing the form. Because of the difficulties experienced in implementing the program, the commission plans to substitute terminal installations which will collect information from the applications by key punching.

Optical scanning equipment is being used successfully by the Bureau of Examinations to correct tests and print eligibility lists, mailing labels and other information. Use of this technique in regard to applications would eliminate most of the manual examination and key punching now required to store and print data. It can automatically reject defective applications and activate a computer-generated notice to the applicant. The manual system requires three full-time clerk-typists to return applications to potential employees.

Proposed Approach: Because of the many advantages of optical scanning over present methods, the program should be turned over to the Bureau of Management Services for implementation. Forms and procedures should be developed which will meet applicant and equipment needs. The system should be designed to eliminate manual review to the greatest extent possible. The burden of exercising care in completing the forms should be placed on the applicant. If implemented, an optical scanning program would eliminate the need for 20 employees in the Document Control Division. The estimated annual savings would be $200,000.

Implementation Strategy: The director of the Civil Service Commission should request that the Bureau of Management Services initiate a study to develop a practical optical scanning program. Outside assistance in forms development should be utilized as necessary. A procedure should be included in the application process to inform potential employees of their responsibility to complete forms carefully and accurately.

238. Reduce the seven-year retention period for application documents.

The Civil Service Act requires that all documents pertaining to a job applicant be retained for seven years. The need to keep material on the majority of positions, once a list of eligibles has been generated, is practically nil. After invalidation of a list of eligibles, there is no necessity for further retrieval. More than 85% of all documents could be disposed of within one year.

Approximately 150,000 applications will be processed and stored in 1975. If this rate continues, there will be more than 1-million documents filed in the commission offices and the state records center in seven years. Storage will require 7,000 file boxes and almost 2,300 square feet of space.

Proposed Approach: To eliminate this costly and unnecessary retention requirement, the Civil Service Act should be modified to require that documents be retained for 30 days after invalidation of an eligibility list, but not less than one year following the establishment of the list. The application form should contain a statement — which the applicant would sign — certifying his understanding that the new time limit restricts his right to demand information at a later date. This waiver would provide the legal protection apparently intended by the original retention provision.

At the time of enactment, however, there were only 600 jobs eligible for coverage. Today, there are more than 75,000 civil service employees. Economy and efficiency dictate that storage requirements be updated.

The current cost of 1,000 file boxes is approximately $500. The rent for 2,265 square feet of storage space is about $9,100 per year. The proposed change would reduce the total annual cost of $9,600 by 85% or approximately $8,100 yearly.

Implementation Strategy: The commissioners should petition the Governor to request legislation modifying the Civil Service Act. The new provision would eliminate the current time requirement and provide for disposition of present files in accordance with the proposed regulations. The commission's executive director should then design application forms to provide the necessary certification of understanding and waiver of rights. He should order the destruction of all files made obsolete under the revised statute.

239. Reduce the time required to verify candidate qualifications for civil service positions.

At present, the Civil Service Commission places some 6,000 employees in professional and executive positions each year. Except for the administration of various tests, candidate qualifications are not verified until the employee has begun work. The average time required to check credentials is 77 days, althought this activity may continue for as long as 120 days. In the last four years, it was necessary to remove 32 persons from employment because their qualifications could not be verified.

Proposed Approach: Procedures should be revised to place more responsibility on the candidate. Under the present system, a potential employee only becomes involved in the verification process if a source of information asks for a signed release before supplying data. If candidates were required to obtain a substantial portion of the information needed for qualification, the verification cycle could be significantly reduced from an average of 77 days to 30.

Implementation Strategy: The commission's executive director should authorize the following steps:

- Form letters should be provided to candidates to use in securing necessary information. They should include permission by the candidate to release requested information and should inform the recipient that failure to respond can invalidate the candidacy. A tear-off section should be included to notify the candidate that the information has been sent.
- A 30-day time limit should be established in regard to information verifications.
- Agencies should notify the Civil Service Commission 90 days in advance of requirement dates when seeking to fill vacancies. This will permit selection and verification to be completed prior to employment.
- Interviews and selections should be completed within 30 days from the initial agency request. The agency will provide candidates with necessary form letters and instruct them regarding their use and the penalties if verification is not received in 30 days.
- In cases where verification is not forthcoming and no acceptable explanation offered by the candidate, eligibility will be invalidated.

240. Provide adequate office space and privacy for professional personnel in the Bureau of Labor Relations.

Presently, the bureau's six attorneys and nine analysts are located in two extremely small, open office areas. This situation is unreasonable. The work of these attorneys and professional analysts is complex and demands maximum concentration with minimal distraction. A single error in interpreting or writing complicated contractual documents could be very costly to the commonwealth. Current working conditions are conducive to such errors.

Proposed Approach: Offices for each professional group must be provided with additional space of at least 1,800 square feet. The expanded areas should be laid out with individual, partitioned offices and aisles which minimize disruptive traffic. The resulting improvement in working conditions will produce no measurable savings but will reduce the distractions which may foster costly mistakes and create inefficiency.

Implementation Strategy: The Governor's Office should request the Department of Property and Supplies to provide the Bureau of Labor Relations with an additional 1,800 square feet of space to be properly partitioned and designed for this bureau's use.

ORGANIZATIONAL EFFECTIVENESS

The Executive Branch encompasses approximately 123,000 employees. Of these, 76,000 are covered by the civil service merit system. The state's constitution provides for an Executive Department consisting of the Governor, a lieutenant governor, attorney general, auditor general, state treasurer and secretary for the Department of Education. Over the years, the General Assembly has established numerous administrative departments, commissions and boards to perform the state's administrative work. For convenience, this conglomeration of departments, commissions, boards, councils, authorities and the like are referred to as the Executive Branch.

In addition to the Office of the Governor, which contains a number of formal staff organizations and a personal staff, some 17 administrative departments, 15 commissions, six boards and a large group of councils, agencies and authorities report directly to the Governor. The vari-

ous administrative departments, commissions and boards of the Executive Branch function as separate entities under the Governor's control and each is responsible for fulfillment of specified missions.

Organizationally, each department is structured on the basis of services, geographical locations and functional activities as well as legislative mandates. Most of the state's employees are located throughout Pennsylvania's 67 counties rather than in the capitol complex. There are 61 different substate delineations used by various agencies to divide the state for operational purposes. In most cases, agencies must coordinate their programs with local and federal authorities. When several state agencies, with different geographical subdivisions, are involved, such coordination can be difficult.

RECOMMENDATIONS

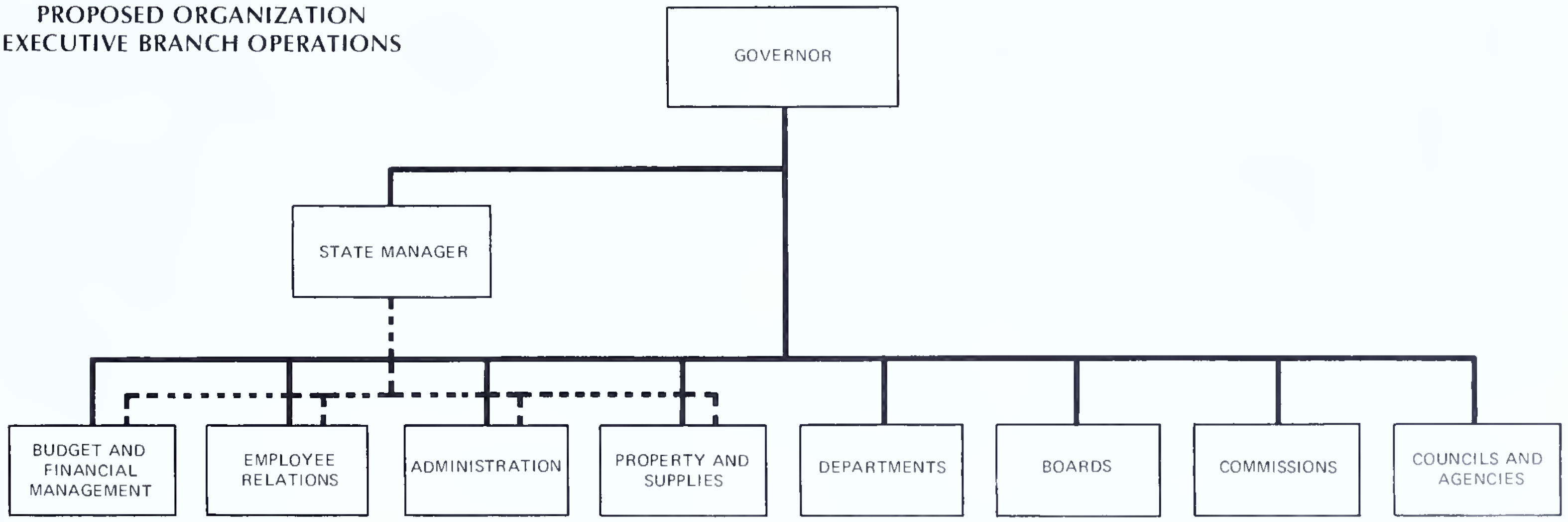
241. Establish a position of state manager to coordinate all centralized, functional support operations and authorize an in-depth organizational study of Executive Branch operations.

As chief of state, the Governor is responsible for overall policy formation, extensive public relations responsibilities and management of Executive Branch operations. This last activity encompasses a total of 71 departments, commissions, boards, authorities and agencies which report directly to the Governor. At least 35 of these relationships involve active personal participation by the incumbent. Ultimately, the Governor is responsible for the management of 123,000 employees, a $4.5-billion operating budget, vast fixed assets and delivery of government services to a population of 12-million citizens.

Under the current Executive Branch organization structure, the Governor's attention must be directed to those areas most in need of immediate action. Since both program and administrative areas require major effort, management of manpower, physical and financial resources are often forced into the background and can result in reduced performance. However, sound management calls for an environment where a chief executive can emphasize initiating action rather than responding to crises. Approximately half of the states in the country have, within the last 10 years, undergone Executive Branch reorganizations in an attempt to improve the managerial aspects of government operation. In Pennsylvania, the current dependence on a four-person liaison staff, plus the Office of Administration, provides neither the statutory permanence nor strong leadership needed for dynamic administrative support.

Proposed Approach: A comprehensive organization study should be made of the Executive Branch to devise an optimum, continuing structure which will permit the Governor to carry out his responsibilities with the greatest effect in view of the political, public and management requirements. A committee should be established, representing several previous governors, the incumbent and the lieutenant governor, the Pennsylvania Economy League, the business community, the General Assembly and the Council on State Government. It would be the responsibility of this group to develop an optimum top-level organization structure for the Executive Branch. A qualified consulting firm may be selected to suggest organization structures. As the first part of this project, the firm would thoroughly develop, with approval of the committee and the Governor, a new position of state manager. The state manager, as shown by the organization concept directly below, would be responsible for coordinating all centralized, functional support operations in the Executive Branch. The concept behind this approach divides current activities into two areas: programs to serve the public and basic operational support functions. The former are the domain of the various de-

PROPOSED ORGANIZATION
EXECUTIVE BRANCH OPERATIONS



partment secretaries. Guidance of these programs provides a governor with his greatest opportunity to contribute to the society he serves. To pursue this goal effectively, an incumbent must be relieved of as much routine detail as possible. However, he must still exercise effective control over the state's resources. It is felt that consolidating major support functions under the coordination of a state manager, reporting to the Governor, will provide control of administrative activities without undue encroachment on the Governor's time. The person selected to fill this position would have to be a uniquely well-qualified executive with proven management skills, capable of operating in an organization as large and complex as state government.

Under the proposed realignment, the state manager would work with the secretaries of the following four departments:

- Budget and Financial Management: This area would include the Office of the Budget and the Bureau of Financial Management.
- Administration: This proposed department would encompass Data Processing, Management Consulting, Office Services and Communications.
- Employee Relations: The areas involved in this department would include Personnel, Labor Relations and Civil Service Administration.
- Property and Supplies: This department would exist as currently constituted for the most part.

As the first three departments described would be the products of other recommendations made by this review, the state manager should be invited to consult with the Governor in selecting appropriate secretaries. He should also have the opportunity to approve appointments of bureau directors appointed by the secretaries. Management positions at lower levels would be filled through the civil service merit system. The areas of operation to be placed under this position render important services to the various agencies in state government. All require strong centralized control to provide maximum results. Conceivably, the state manager could be required to publish a quarterly report on the administrative activities of the state. Benefits to be achieved by establishing the proposed position would include:

- Reduction of the Governor's span of control to a more reasonable level.
- More effective administration of routine activities under the supervision of a full-time professional manager.
- Improved effectiveness of subordinate organizations and increased continuity in administrative functions.
- Availability of more power and influence in pursuing Governor's administrative goals such as management by objectives, improved program planning and budgeting, manpower control, coordinated data processing services, strengthened management consulting activities and optimum management of state physical resources.

As a subsequent step, the committee should devise a practical method to reduce the span of control for all other agencies reporting to the Governor. The aim would be to reduce the number of people reporting to the Governor without impairing executive flexibility. The one-time cost of the organizational study is estimated at $190,000 while the annual cost of establishing a state manager is projected at $118,000 including appropriate support personnel. Benefits should be very large, but cannot be quantified.

Implementation Strategy: As outlined previously, the Governor should establish an implementation committee to conduct an in-depth organizational study of Executive Branch operations including appropriate recommendations in regard to a state manager. To secure the advantages of the state manager as soon as practical, the first study phase and selection of a suitable manager should be completed within eight months. The state manager should then coordinate implementation of approved organization changes. Completion of the second study phase of top-level agency management and implementation of findings should require an additional nine months. The total program should take no more than 25 months to allow completion during the current administration. As a second step, it may prove desirable to formalize this arrangement through legislation.

242. Strengthen regionalization efforts to improve the state's service delivery system.

The variety of federal, state and local government programs is increasing steadily. To administer these efforts, numerous government subdivisions have been established to plan, administer and deliver mandated services. While the individual programs reflect sincere efforts to solve specific problems, the resulting array of federal, state and substate delineations has severely hindered their effectiveness. At present, state agencies have some 61 different regional delineations within the state's boundaries. It has been recognized that some modification to substate operations is needed to effectively coordinate federal, state and local activities. An executive directive was issued on August 28, 1972, authorizing development of a uniform system of multi-county regions to serve as a common geographic base for all substate planning and development activities in Pennsylvania. The directive designated 10 uniform regions with the intent that the geo-

graphic aspects of both state and federal programs should be brought into line with these regions to the maximum extent possible. A Regional Planning and Development Agency has been established in nine of the 10 regions to implement the change, but their effectiveness varies from good to weak. The Office of State Planning and Development has assumed responsibility for reviewing each agency's progress toward compliance with the regional concept and has encouraged activities to strengthen the Regional Planning and Development Agencies.

The Governor's Commission on Human Services has also been working on an organizational concept to improve the timeliness and quality of appropriate services delivered at localized levels. The concept envisioned by this commission will further strengthen the uniform region concept. As yet, implementation of the two plans has not been achieved.

Proposed Approach: The approaches proposed by the Office of State Planning and Development and the Governor's Commission on Human Services are sound and should be implemented. However, achieving the proposed regionalization and service delivery improvements will require strong impetus from the Governor. Under his leadership, these two entities should coordinate their efforts and proposals into a common cause. As needed, additional directives should be issued by the Governor to support and augment their activities.

Under this approach, the Regional Planning and Development Agencies would be responsible for coordinating intergovernmental programs and funding on a long-range basis for their respective regions. The Regional Entity proposed by the Governor's Commission on Human Services would be accountable for operations within the region and would have authority to strongly encourage and coordinate cooperative efforts between various agencies to accomplish objectives. Some efforts should also be directed from the state level to obtain improved uniformity in federal guidelines in order to remove operational obstacles to the uniform region approach. The annual cost of 10 Regional Entities is estimated at $1.85-million. However, a majority of this amount can be offset by providing the required personnel and equipment from present agency operations. Potential benefits cannot be quantified.

However, a recent HEW study indicated that only 40% of the people who need government services are being reached. If regionalization can improve this to 80% with no increase in administrative expenses, the state will have improved its cost/benefit ratio by 100%.

Implementation Strategy: To obtain the benefits of the regionalization concepts proposed by the Office of State Planning and Development and the Governor's Commission on Human Services, the following steps should be taken:

- The Governor should provide necessary support to implement the Regional Entity concept developed by the commission.
- A new directive should be issued to hasten progress toward regionalization. It should include the establishment of an implementation committee with representation from the Office of the Governor, the Governor's Commission on Human Services and the agencies involved. This group should have a deadline of one year to establish the uniform region concept on a functioning basis.
- Legislation should be prepared to mandate regionalization and the required operating structure. This will ensure that the process can be continued regardless of any changes in administration.

243. Improve coordination of statewide inspection functions.

Several agencies have inspection functions which overlap. Consequently, buildings or institutions may have 10 to 15 different state inspection visits at various times. Agencies with major inspection responsibilities normally maintain separate regional offices. Scheduling is questionable and little cross-training is provided to improve staff utilization. The result is a system of statewide inspection functions which is redundant, inefficient and overly expensive.

Proposed Approach: The inspection functions should be realigned to improve coordination, permit team inspections and eliminate unnecessary visits by state employees. Industrial inspections, such as fire and safety, as well as surveillance of pressure vessels should continue to be handled by the Department of Labor and Industry. Institutional visits should be developed on an inter-agency team basis with expertise available to evaluate sanitation, cleanliness, pest control, health standards, food service, safety and building code requirements. Building construction inspections could be centralized under the Department of General Services with two exceptions. Because of their specialized requirements, the Departments of Environmental Resources and Transportation would retain their respective construction inspection responsibilities. The Bureau of Occupational and Industrial Safety, Department of Labor and Industry, should be renamed the Bureau of Inspections. It would perform or coordinate repetitive evaluations presently involving the Liquor Control Board and the Departments of Health, Public Welfare, Agriculture, Labor and Industry and Environmental Resources.

Staff utilization could be increased, and transportation costs optimized, by forming teams of experts to perform technical inspections. Also, inspector productivity could be controlled more effectively if they were required to work out of appropriate regional offices instead of from their homes.

Eliminating all boiler and elevator inspections in favor of insurance and fee reviews would permit a sizable reduction in personnel requirements. Cross-training existing personnel in all departments would provide a pool of some 3,050 inspectors. Effective coordination of inspection activities should permit a 10% reduction in overall staff with no adverse effect on the review requirements. The annual saving would amount to $4-million.

Implementation Strategy: The Bureau of Management Services should work with the departments involved to determine the proper composition of inspection teams, delineate the duties of the proposed Bureau of Inspections and regionalize inspection activities. It should also determine the feasibility of eliminating present boiler and elevator inspection programs in favor of insurance company inspections.

244. Reorganize the Bureau of Professional and Occupational Affairs to handle licensing and administrative functions of the licensing boards more efficiently.

There are 21 licensing boards under the supervision of the Bureau of Professional and Occupational Affairs. Policies and licensing standards are the primary concern of the boards while bureau employees in Administrative Services perform administrative and enforcement functions. Under the present organization, Administrative Services has two separate support functions — Registration/Renewal and Mail/Stock Rooms. The licensing activities which report to this area are divided into nine separate groups covering clusters of the various types of disciplines which require certification to operate in the state. There is no overall system to ensure a smooth flow of work. Scheduling tests, notifying applicants and monitoring results are often delayed in preference to handling routine record maintenance, creating peak work loads just prior to testing deadlines. The frequency and scheduling of examinations are often specified in enabling legislation or based on national requirements and, therefore, beyond the control of the bureau.

Proposed Approach: Administrative Services should be restructured to improve the general workflow and scheduling of activities. The major change would be the elimination of the nine licensing categories. Instead, two sections should be created — one to handle application reviews and testing and one for license maintenance activities. Registration/Renewal would be expanded to include the now separate Revenue Section. This will expedite the flow of funds and improve the procedure for handling license renewal inquiries.

The proposed Application Review and Test Administration Section will be responsible for all board testing activities. Consideration should also be given to amending legislation which specifies test schedules in order to improve flexibility. The total staff complement would consist of one administrative officer, 14 clerk-typists and one educational credentials evaluator. The License Maintenance Section would encompass two groups of specialists — one for certificate issuance and one for records maintenance. Records Maintenance would keep records on all licensees and update them as required. Implementation will reduce the current staff by 11 positions for an annual saving of $158,000. This amount will be increased with conversion to an electronic data processing records system.

Implementation Strategy: The bureau commissioner should request authorization to restructure Administrative Services. A reorganization committee should be established to carry out the required implementation steps in cooperation with the Bureaus of Management Services and Personnel in the Office of Administration. The commissioner should also negotiate with the Department of Education to have the bureau's validation activities transferred. The restructuring should be completed within a period of six months.

245. Strengthen management services functions at the department level and in the Bureau of Management Services to improve effectiveness.

The purpose of the management services function is to assist in planning, controlling, coordinating and reviewing the work processes in the various state agencies and departments. Activities are carried out by department level management services groups and by the Bureau of Management Services in the Office of Administration. Although these two groups have similar objectives, effective interaction and communications are lacking. Additionally, many department level groups are so diffused within their parent organizations that their ability to function effectively is diminished. In some cases, these units do not have authority to initiate studies, but must wait for their services to be requested. Another difficulty is the fact that department level groups may be performing routine functions, such as inventory control and the like, which more properly belong in other areas. As regards the Bureau of Management Services, the major problem is that most departments are unaware of its capabilities and uses. All of these factors limit the effectiveness of the management services function.

Proposed Approach: All management services functions at the department level should be consolidated into a single unit within each agency responsible to a manager reporting to the department head. Functions should include systems design and implementation, work flow analysis and methods improvement, studies of space utilization, design and control of records and forms, organization studies, productivity improvement, coordination of management by objectives, data processing liaison and the like. These units must coordinate with the Bureau of Management Services to supplement department expertise and coordinate statewide management service activities. The bureau should undertake a wide-ranging program to acquaint state departments and agencies with its functions and capabilities in order to encourage improved utilization of its services. Appropriate steps should be taken to strengthen bureau staff capabilities through an effective program of recruitment and continuing professional education. It should also be permitted to draw on department expertise, as necessary, to carry out specific projects. Implementation will provide the state with stronger management services capabilities to meet current and projected needs.

Implementation Strategy: Each department should conduct a review of its management services functions to establish an organizational unit which will meet its needs. The Bureau of Management Services should begin an immediate program to encourage utilization of its services and to upgrade its capabilities. Steps should be taken to ensure appropriate confidentiality of department studies in a manner which will encourage greater use of the Bureau of Management Services.

246. Strengthen the state's internal consulting capabilities to reduce dependence on outside support.

The state spends millions of dollars each year in contracts for various types of consulting services. Some projects are such that required support cannot be supplied by the state and must be purchased. However, many activities could be assigned to existing internal consultants in the Bureau of Management Services or at department levels. Unfortunately, the absence of a program to evaluate the need for outside expertise results in unnecessary expenditures for consulting contracts.

Proposed Approach: All contracts involving the use of outside consultants should be reviewed by agency management services groups and by the Bureau of Management Services in the Office of Administration. The purpose would be to ascertain if all or part of the proposed projects could be handled by internal staff. Requests for contracts should contain sufficient economic justification to ensure that specific benefits have been identified. The overall objective would be to reduce the utilization of outside consultants as much as possible. It is estimated that many programs could be completed internally at approximately 50% of the cost for contracted services. Of 40 contracts reviewed, 12, representing 40% of the total value, had consulting requirements well within the abilities of the Bureau of Management Services. The total cost was $466,000. At this level of expenditure, an annual saving of $233,000 could be realized by utilizing internal capabilities to perform this work.

Implementation Strategy: The Bureau of Management Services has prepared a draft of an executive order covering procedures for contract management. It provides for standard methods of preparing requests for proposals, competitive bidding, assurance that agencies will monitor contract consulting activities properly and surveillance of expenditures by the secretary, Office of the Budget. Agency heads would approve program contracts, but only after a review to determine cost/benefit relationships, feasibility of handling the project in-house and possible interface with other studies being performed. This proposed executive order should be approved and implemented as quickly as possible. Appropriate steps should be taken to strengthen various internal consulting groups, including the Bureau of Management Services, in order to limit the need to utilize outside consultants.

247. Provide abstracts of all agency studies.

Nearly all agencies conduct or contract for studies, programs and other activities for which a report is ultimately written. The state library receives 100 copies of each publication, but no distribution is made to other state agencies. Many of the reports contain information which could be utilized by other agencies. However, no mechanism exists for an effective exchange of such data.

Proposed Approach: Every report submitted to the state library should be accompanied by a short abstract giving its authorization, content and conclusions. An index should be prepared showing the author, title and subject. The index and abstracts could be circulated to each agency on a regular basis. The "Checklist of Official Pennsylvania Publications" which is prepared by the library should also be distributed to the agencies. Ready access to such data could prevent research duplications and may even obviate the need for certain studies. Savings cannot be quantified.

Implementation Strategy: As a temporary move, the library should arrange to circulate its checklist to all agencies immediately. Each agency would be required to supply the library with necessary reports and abstracts. These would then be catalogued and an index prepared for reference use. An index listing should be prepared and circulated to all agencies.

248. Implement procedures to reduce utilization of contract stenographers at hearings.

Hearings are conducted by a variety of state agencies and, by law, written records must be kept of the proceedings. Testimony is frequently recorded by stenographers hired under open-ended contracts. Costs of recording, transcription and reproduction range from $135 to $175 per hearing day, depending on usage and contract terms. Significant economies could be achieved if state employees could be substituted for contract stenographers.

Proposed Approach: The availability of state employees with stenographic skills to record hearing testimony should be determined. In major cities, a pool of hearing stenographers could be established to handle hearings for all agencies. It might also be possible to substitute clerical employees with tape recorders for stenographers if these personnel were not available in sufficient quantities. Although total savings are difficult to estimate, a minimum of $50,000 per year could be achieved, based on cost data supplied by the Public Utilities Commission.

Implementation Strategy: Within six months, the Bureau of Management Services should be able to identify stenographic requirements in relation to agency hearings and determine the feasibility of substituting state employees. Based on the data developed, it would recommend an appropriate course of action, including training programs as necessary.

249. Use key item reporting to improve the effectiveness of agency data submitted to the Governor's Office.

Approximately 71 state agencies, boards, commissions and councils report directly to the Governor. All cabinet members and agency heads must submit monthly reports to his office regarding their operations. Unfortunately, many of the summaries submitted do not contain a sufficient amount of key information needed to appraise the effectiveness and identify the problems of the individual organizations.

Proposed Approach: Procedures should be implemented to provide tailored reporting from each agency based on information that is significant, reliable, timely, understandable and presented with an appropriate basis for comparison. Developing reports that meet these criteria will supply an identification of problem areas, an incentive for better planning, a more factual basis for making long-range and short-term decisions and a means to monitor overall progress.

Implementation Strategy: The Governor should issue a directive requiring key item reporting from all agencies under the jurisdiction of the Governor's Office. The Bureau of Management Services would be responsible for developing the necessary guidelines and procedures. If necessary, outside expertise could be provided to advise on the design of an effective reporting system.

250. Terminate specific inactive or obsolete commissions, foundations and task forces.

Several instances exist where various commissions, committees and the like have become inactive or obsolete. Unfortunately, no official action has been taken to dissolve these bodies, resulting in unnecessary recordkeeping. Specific instances include:

- The Military Advisory Commission.
- The State Military Reservation Commission.
- The Parkway Commission of Pennsylvania.
- The Pennsylvania Public Safety Commission.
- The Commonwealth of Pennsylvania's Mental Health Research Foundation.
- The Governor's Task Force on Venereal Disease.
- The Governor's Task Force on Hypertension.
- The Governor's standing Committee on Diabetes and Blindness.

Proposed Approach: Since all of these groups are either inactive or obsolete, appropriate action should be taken to dissolve them and eliminate any recordkeeping work associated with their existence. A subsequent recommendation provides for annual reviews which will determine the continuing usefulness of such activities in the future.

Implementation Strategy: Enabling legislation should be introduced to terminate bodies originally mandated by the General Assembly. Those formed by directives from the Governor can be abolished by him. Directives appear to be an effective mechanism for forming and dissolving entities of a specialized nature and their use should be continued as appropriate.

251. Conduct an annual review to determine the continued need for all boards, commissions, councils, authorities and task forces.

At present, there are approximately 320 boards, commissions, councils, authorities and task forces which have been created by the General Assembly or Governor's directives. While most serve a continuing need, some have become obsolete with the passage of time or fulfillment of the original mandate. Unfortunately, no mechanism exists to identify such obsolescence.

Proposed Approach: An annual review should be initiated to determine usefulness and to recommend the continuance or disbandment of all special entities. This

will eliminate wasteful use of clerical time required to maintain records of defunct or inactive bodies which still have an official existence. As potential benefits cannot be quantified, no savings are claimed.

Implementation Strategy: A joint legislative committee should be formed to report no later than March 31 of each year on the continued need for all special entities created by the General Assembly. The Governor should assign similar responsibilities to a member of his staff in regard to those bodies authorized through a Governor's directive.

252. Develop a system to coordinate volunteer services to meet specific agency needs.

For many years, various state agencies have used volunteers to assist in the delivery of mandated programs, extend the range of services, enhance their quality or provide various types of equipment or supplies not within the scope of the agency's budget. Techniques for obtaining volunteers range from sophisticated recruitment efforts to accepting whatever is offered by individuals and groups willing to serve. In addition to the Department of Public Welfare, the Departments of Health, Education and Environmental Resources make extensive use of volunteer resources. Despite the impressive scope of such services, the needs of the state are even greater.

Proposed Approach: To match volunteers to state requirements, coordination of volunteer services should be centralized in the Manpower Planning and Special Studies Division of the Bureau of Personnel. Duties would include contacting individuals, groups and organizations willing to provide services; establishing a data bank of volunteers showing backgrounds, skills, preferences and availability; and interacting with state agencies to determine volunteer requirements. This last activity would inform agencies of the range of volunteer services available and encourage their use in preference to staff additions or contract services. The Bureau of Personnel in the Office of Administration would provide agencies with lists of people and skills available in various geographic areas. It would be the responsibility of the agency to contact the volunteers, determine their suitability for the task and assign specific responsibilities to those chosen. Implementation would greatly enhance the state's ability to improve services without increasing expenditures. The dollar value of volunteer services provided to the Department of Public Welfare in fiscal 1974 was approximately $2.4-million. A 10% increase in utilization for this department alone would result in an annual saving of $240,000. Creation of the initial data bank and coordination program would require one full-time employee. Efforts should be made to provide this capability using existing staff in the Manpower Planning and Special Studies Division.

Implementation Strategy: A directive should be issued by the Governor authorizing the division to implement the proposed data bank and coordination service. The state agencies should be contacted to establish their requirements and questionnaires should be developed to determine what volunteer services are available in the state. Pertinent information should then be distributed to the agencies. Approximately one year would be needed to fully implement this volunteer services system.

253. Use ratio analyses to identify significant variations in agency staffing patterns.

Most agencies have similar functional activities in the areas of personnel, labor relations, fiscal management, payroll, affirmative action, budgeting, mail service and the like. In many cases, total staff complements can be grouped into functional areas and ratio analysis techniques used to develop statewide averages and identify significant variations from the norms. While some differences may be justified, those identified should be investigated to ensure that staff complements are being maintained at optimum levels.

Proposed Approach: All of the employment class codes which can be logically assigned to a specific function should be grouped and the number of people in each tabulated by department. A ratio analysis should be developed using appropriate comparable bases for these classifications and significant variations brought to the attention of the department head. If no justification for the difference can be provided, appropriate steps should be taken to improve the ratio. In some cases, comparable ratios might indicate weaknesses in performance of certain functions such as training. Substantial savings could result, but no specific amounts are claimed. Implementation of this suggestion will provide an effective performance measurement tool.

Implementation Strategy: The Bureau of Management Services should request all agencies to list the class codes and numbers of employees assigned to various standard functions. Comparable statewide ratios and agency averages using appropriate bases should then be determined and appropriate action initiated.

254. Establish a statewide policy regarding personal secretaries and an effective control system to monitor this policy.

Each agency determines its own needs in regard to personal secretaries. Often, such decisions are made on the basis of executive job status, tradition and budget limitations. Varying agency practices result in many personal secretaries being underutilized in situations where one person could easily meet the secretarial needs of several executives.

Proposed Approach: A statewide policy should be developed to establish standards for providing personal secretaries. Certain upper management levels would be identified as requiring personal secretaries. All other positions would have to meet pre-determined conditions before a personal secretary could be authorized. Agencies desiring to increase their complement of personal secretaries would have to submit a request for approval to the Bureau of Personnel, Office of Administration.

Once a uniform policy has been established, it will be necessary to review current secretarial positions to identify those which do not fulfill the policy guidelines. In order to control future proliferation, a special classification should be established to identify personal secretaries. At present, these jobs are classified as clerk-steno with the grade depending on the duties outlined in the job description. Implementation should provide a significant annual saving, but the exact amount would depend on a review to identify unnecessary personnel. Estimating that at least 100 such jobs could be eliminated, the annual saving would be $1.2-million based on current salary and benefit ranges.

Implementation Strategy: The Bureau of Management Services should develop minimum requirements for authorizing personal secretaries. It should work with the Bureau of Personnel to establish conditions for approving positions associated with management levels below a specified minimum. These standards should be incorporated into a statewide policy for approval by the Governor. Once approved, the Bureau of Management Services would be responsible for identifying those positions which do not meet criteria and would work with the individual agencies to correct these situations. The Bureau of Personnel would be responsible for screening all future requests to ensure compliance with the new policy. Initial implementation should be complete within a period of six months.

255. Centralize responsibility for development and implementation of state affirmative action policies.

A Bureau of Affirmative Action has been established in the Office of Administration. However, the bureau acts only in a consulting capacity and affirmative action policies have not been developed and implemented on a consistent basis in the various agencies. As yet, there is no clear plan of action with measurable objectives. Without uniform procedures to realistically plan and document progress, the state will be unable to determine staffing requirements for affirmative action programs at the agency level. Action must also be taken in regard to training these personnel and providing appropriate publicity regarding the state's affirmative action program.

Proposed Approach: In order to establish uniform objectives, effective compliance and optimum staff requirements, the development and monitoring of affirmative action programs for all agencies should be made the responsibility of the Bureau of Affirmative Action. Centralized policies with clearly defined department and regional objectives will enable the various agencies to fulfill the spirit and intent of the program. Implementation will prevent needless duplication of affirmative action personnel among numerous state agencies serving the same regional areas. The bureau will be responsible for providing guidance and training to agency personnel organizations in regard to recruiting and hiring practices. To identify major program objectives, the bureau should provide a management-by-objectives planning seminar for all affirmative action supervisors. This will create broader understanding of the program and develop improved patterns of communication. An active public relations program should be devised to publicize the general policies to both state employees and the public. Implementation involving greater participation in affirmative action issues by agency personnel organizations should make it possible to reduce the current level of affirmative action personnel by at least 20 positions statewide for an annual saving of $320,000. An unspecified cost avoidance will also be achieved by eliminating proposed expansions by various departments.

Implementation Strategy: The Bureau of Affirmative Action should be empowered to develop and monitor practical affirmative action guidelines and programs in cooperation with the state's Bureau of Personnel and the various agency personnel organizations. The Training Division of the Bureau of Personnel should implement the necessary management-by-objectives training programs for affirmative action employees. If necessary, sensitivity training should be provided through outside contracts with specialists. The Bureau of Affirmative Action should be responsible for developing the required information program to publicize affirmative action policies and principles. It would also monitor agency compliance with the state program.

256. Enforce and expand the management directive on organization requests.

Management Directive 260.1 establishes policies and procedures for submitting organization requests to the Executive Board for approval. It applies to proposals for creating or changing structures at division levels and above as well as authorizations for branch offices in agencies under the Governor's jurisdiction. Its objective is to provide standards for use in evaluating proposed changes and to create an accurate, comprehensive set of organizational records. The Bureau of Management Services is in the process of revising the directive to

strengthen certain areas. However, no consideration has been given to the need for periodically validating all organization charts. Additionally, no provision has been made to include all agencies in these comprehensive organization records by a specified time. Under the present guidelines, a complete compilation will not occur until every agency undergoes a structural change at the division level or above.

Instructions contained in Management Directive 260.1 do not provide necessary guidance to agencies in constructing charts for internal use. The quality, terminology and accuracy of current agency organizational data vary significantly. Many have not been updated for a year or more.

Proposed Approach: The Bureau of Management Services should require all agencies under the Governor's jurisdiction to provide current organization charts, functional statements and staffing charts within a specified period of time. This will satisfy the requirement to create an accurate and comprehensive set of organization records. A mechanism should be established to validate the continued accuracy of these materials or to submit changes on an annual basis. Conceivably, such updating activities could coincide with budget preparations.

In addition, a uniform system of chart preparation should be developed and implemented for all agencies. Information would include charting formats appropriate to state government, standard terminology, delineation of line and staff responsibilities, methods for depicting lines of authority and the like. This material should either be provided as a separate organization chart manual or included as a section in existing procedural guides. The standards established should be used to revise all intra-agency charts. Data should then be updated on a quarterly or semiannual basis. Implementation would provide the following benefits:

- Management Directive 260.1 would be sufficiently strengthened to meet its stated objectives.
- Existing confusion within and between agencies in regard to structures will be eliminated.
- Visual reinforcement of lines of authority will be provided along with identification, by name, of key personnel. This will give the various management levels a much clearer understanding of their roles and responsibilities.
- Unnecessary proliferation of organization charts will be eliminated and distributions limited to authorized personnel.

Implementation Strategy: The Bureau of Management Services should include a provision for reporting organizational changes at specified intervals in the revised management directive. It should request current organization charts, functional statements and staffing charts for all agencies. Further, the bureau should develop a uniform system for preparing intra-agency organizational records including an instruction manual.

Agencies should submit charts to the bureau within 30 days. The system for intra-agency data should be implemented within four months.

PRODUCTIVITY

Each department head is responsible for the productivity of his unit. Furthermore, it is a basic premise of management that in order to control or influence something, it must first be measured. However, sufficient data on the ratio of services or units produced versus the resources consumed during a specified time are not available in most agencies. The development of productivity base measurements is important to analyze trends, set department objectives and measure degrees of achievement. Productivity measurement is also a vital factor in projecting manpower requirements in terms of anticipated work volumes. A productivity measurement program has been instituted by the federal government covering about 61% of its civilian personnel. Results have been impressive and a strong productivity improvement program is getting underway.

RECOMMENDATIONS

257. Develop and apply productivity measurement techniques on a statewide basis and implement a productivity improvement program.

Productivity measurement is basically a ratio of output per unit of input, the denominator usually being expressed in terms of manpower. It is recognized that most state agencies presently lack useful productivity measurement data which would permit the establishment of organizational and personal performance standards and should lead to use of quantified planning, scheduling and control techniques. The use of productivity measurement techniques creates a basis for a number of administrative actions. With such tools, it becomes possible to:

- Track changes in productivity within organizational units.
- Project future manpower needs.
- Compare productivity of similar units.

- Improve management of backlogs.
- Assess the effectiveness of such management actions as basic planning, scheduling and control of manpower; investments in new facilities and equipment; organizational changes; procedural modifications; application of behaviorial science approaches; and impact of new management techniques.

That the level of productivity in state government can be improved is hardly open to question. Private sector surveys of clerical performance — prior to implementation of measurement programs — have shown that the average office achieves a productivity rate of only 50% to 60% of its potential. A brief, informal survey indicates a similar performance level to be to be prevalent in the capitol complex. During a period when the cost of labor is increasing at a rate in excess of 10% annually, the need to measure and improve productivity is obvious.

Proposed Approach: Pennsylvania should establish an ongoing program for productivity improvement. A primary tool is the generation of productivity trend charts for all executive organization units which lend themselves to measurement techniques. The limiting factor in any unit is the ability to define a quantifiable output either in terms of a product or a service.

To demonstrate feasibility of productivity measurements in a pilot project, three agencies were picked as models representing various degrees of difficulty for application of productivity measurement programs. The organizations and output units chosen were: Liquor Control Board — bottle sales from state liquor stores; Department of Welfare, County Boards of Assistance — community services supplied; and Department of Transportation — licenses issued. Input was expressed in total man-years directly related to output.

In each area, the following steps were carried out:

- Unit operations were reviewed in depth with management personnel.
- Output was defined in measurable terms.
- Input/output data were compiled for recent years.
- A base year was chosen, indices calculated and productivity trend charts prepared for all three of the selected agencies.

For comparative purposes, compensation and unit labor costs were also charted. The increase in unit labor cost which was identified clearly indicated the need to improve productivity to offset rising compensation. Such productivity trend figures provide a vehicle for analysis of the present situation to assess the effectiveness of management actions.

The benefits from such programs do not occur as a result of the measurements. Rather, they stem from rigorous application of productivity improvement programs designed to meet needs identified by trend data. In general, consulting firms estimate that sound manpower management programs can achieve a 20% to 30% gain in efficiency. A 1973 study of a relatively complex unit in the Liquor Control Board produced a 25% improvement from implementation of the recommended management program.

The following are some of the administrative productivity improvement tools available: management by objectives; management incentives; manpower management programs; job enrichment; and expanded management training. Each of these techniques are described in detail in other recommendations.

Assuming vigorous application of appropriately tailored programs on a statewide basis, it is anticipated that 60,000 employees would improve their productivity by 5% in the first year. Using an average annual salary plus fringes of $13,600, the potential first year saving would be $40-million. This figure should increase substantially in subsequent years, approaching a 15% improvement, or about $120-million annually. In line with the policy of The Governor's Review-1975 to claim potential savings at the point of designated accomplishment, no claims are made here. However, 63 other recommendations detail specific proposals for productivity increases with total annual savings of $91.5-million. This includes 24 proposals for improvements in office operations.

Implementation Strategy: Although the proposed activities could be implemented by executive action, it is felt that providing appropriate legislation would be more effective. This would give the program the advantage of recognized budget status. The following steps would be necessary:

- The Governor should direct the secretary, Administration, to assign overall responsibility to the Bureau of Management Services in the Office of Administration. Appropriate legislation should be prepared and submitted to the General Assembly by the Governor.
- The director, Bureau of Management Services, should establish a task force of management analysts to provide technical guidance in implementing the program.
- A schedule of activities should be developed along with a timetable for achievement. The entire program — definition of measurable outputs, accumulation of data, charting, management training, organization for continuous monitoring, analysis and reporting as well as the implementation of methods and produc-

tivity improvement projects — should be operational prior to budget preparation activities for fiscal 1978.

258. Design and implement an effective statewide program of management by objectives.

Management objectives are often poorly defined and understood within the various agencies of state government. This is reflected by the reported difficulty experienced by the Office of the Budget in obtaining meaningful, quantified objectives needed to support various agency budget requests. Although numerous organizations have started internal management-by-objectives programs, there is no uniform statewide system. The efforts of individual agencies in this regard are yielding varying degrees of success. In general, there appears to be difficulty in focusing on important issues and implementing procedures to set meaningful, quantifiable milestones with targeted values.

Interest has already been expressed in developing a statewide system of management by objectives. The Department of Education is in the process of conducting a pilot program embracing two areas: quality performance standards and employee performance and development guides. The program is well-conceived and practical. Activities are being developed and refined on a highly participative basis. Assuming continued success, the department plans to offer the program for statewide use in fiscal 1977. The benefits to be achieved by a properly directed and implemented management-by-objectives system are substantial and warrant continued support from top-level executive personnel.

Proposed Approach: A practical, uniform program of management by objectives should be designed and implemented in line with overall commonwealth needs. The program currently being tested by the Department of Education should provide a viable basis for developing the proposed system. However, practical incentives — based on effective performance — might well be included to further enhance the program.

Management by objectives is a well-documented approach to planning, administering and controlling organizational activities. Properly used, it is a style of management which requires participatory setting of objectives for all significant operating areas. Implementation begins with the chief executive and successively embraces all subsequent levels of management down through first line supervisors. Enthusiastic, skillful efforts are required to attain established objectives within specified time frames. Documentation must be developed to identify procedures to be used in achieving such goals. Scheduled reviews are also necessary to monitor progress. Productivity trend figures and analyses provide the capability to measure current situations, quantify objectives and assess overall effectiveness of the program. Substantial improvements in both operational effectiveness and financial economy should result from successful implementation.

Implementation Strategy: A statewide management-by-objectives program should be established by executive mandate. To accomplish this, the following steps should be taken:

- The Bureau of Management Services in the Office of Administration should develop a proposed approach and submit it to the Governor for approval. Careful consideration should be given to the pilot program now underway in the Department of Education.
- Upon approval, the Governor should issue an executive order authorizing the Bureau of Management Services to coordinate and enforce the program. Implementation will require that each organizational level in every state agency establish identifiable, preferably measurable objectives prior to budget preparation activities for fiscal 1977. The bureau will assist in selecting agency-level coordinators for the program.
- Follow-up activities should be conducted by the Bureau of Management Services to ensure timely completion of commitments. The bureau should also assist agencies in developing required reporting procedures. Formal monitoring activities should be conducted quarterly.
- Program results should be quantified by agency and for the overall program at the end of each fiscal year.

259. Develop and implement a practical non-financial incentive program for managers of commonwealth activities.

There is an urgent need for positive management incentives in government activities to ensure optimum performance and cost-conscious operations. Several factors presently work against such efforts on the part of management personnel. First is the supposition, on the part of many, that spending less than budgeted amounts will result in reduced appropriations for the next fiscal year. In addition, status is sometimes related to the size of the staff and the budget for which a manager is responsible. Hence, the bigger the budget, the more important the job is considered to be. The protection of the civil service system may also reduce some of the cost-consciousness which exists in executives working in the private sector. Finally, if a manager does perform well, there is no assurance he will gain meaningful recognition. An attitude survey of 59 professional and managerial employees in various state agencies showed:

- A lack of long-range planning in regard to management activities.

- Absence of performance standards related to managerial responsibilities.
- Almost unanimous admissions from those interviewed that their job performance could be improved to some degree.
- Lack of performance incentives.

Proposed Approach: An effective management incentive program is needed, but it must be based on sound, measurable objectives. Therefore, it will be necessary for the commonwealth to implement several activities already described — an employee productivity and measurement program, a system of management by objectives and a budgeting and accounting procedure which identifies achievements versus commitments.

An obvious management incentive would be a yearly bonus, based on achievements identified through a management-by-objectives program. A weighted score would be developed which reflected the individual's performance in comparison with his commitments. This score would be a major factor in determining the size of the bonus which would be paid from a special appropriation. However, the use of such a system would be misunderstood by most citizens, making establishment of a bonus fund a political issue. Also, in the absence of a sound performance evaluation system, any bonus allocations would be based on subjective judgments and subject to criticism. Finally, it would seem unwise to motivate managers with the prospect of selfish financial gain in the form of incentive bonuses, in an environment where the major missions are to provide service for the public.

However, there should be no drawback to recognizing meritorious performance through periodic salary increases within established ranges for each position classification. This concept has been addressed in another area of the report.

A previous recommendation calls for establishment of a management-by-objectives program with identifiable goals. The objectives could be given relative weights and achievements identified. Performance evaluations could then be prepared by the agencies in conjunction with the Bureau of Management Services in the Office of Administration. Interdepartmental and public recognition could be given to individuals achieving outstanding results. Such a technique could be used to evaluate division chiefs, bureau directors and even department secretaries.

Cost reduction sharing plans might form the basis for another type of incentive program. In this instance, an organization would be judged on its ability to fully satisfy its responsibilities while spending less than budgeted appropriations. A portion of the unspent money would be returned to the general fund and the remainder assigned to a special agency fund. Monies could be released from this account, upon adequate justification, for experimental programs, new equipment and so on. If this were not feasible, sound fiscal management by an agency should be used as a basis for favorable consideration of future budgetary requests.

Promotions, transfers and other types of recognition could be used to identify meritorious performance. Poor results could also be acknowledged through demotions, transfers or ultimately, dismissal. Of course, this type of disciplinary action would require substantial documentation and uniform procedures to ensure equitable treatment of employees.

Because of the intangible nature of this recommendation, no specific savings are claimed. However, it should be noted that approximately 25% of the state's $4.5-billion budget is considered to be under management control. If an appropriate incentive program produced a 1% reduction in this $1.1-billion portion of the budget, and if one half of this amount would be made available for use in agency discretionary funds, as proposed, the remaining $5.5-million would constitute an annual saving to the Commonwealth of Pennsylvania.

Implementation Strategy: While the concept of incentives has been firmly established in the private sector, the development of a state program will require considerable research and refinement. Successful implementation will demand vigorous and continuing support from the Governor. Initial activities should be assigned to the Bureau of Management Services in the Office of Administration. Advice and cooperation should be sought from the Office of the Budget and the Pennsylvania Economy League.

DEPARTMENT OF LABOR AND INDUSTRY

This department is responsible for administering unemployment compensation, workmen's compensation and vocational rehabilitation programs as well as various labor laws and related activities in the state. Some 17 advisory and review boards assist the department's secretary in the administration of areas under his jurisdiction.

The fiscal 1975 budget was more than $179-million of which $131-million was federal money. Of the department's 7,100 positions, some 6,100 of which are federally subsidized.

RECOMMENDATIONS

260. Relocate the main office of the State Workmen's Insurance Fund and eliminate four branch operations.

The main office of the insurance fund was moved to Scranton in 1964 to provide more jobs in that area. However, the board which manages the operation is still located in Harrisburg, resulting in a lack of effective management. The district offices process all insurance claims and forward the paperwork to Scranton while retaining duplicates for their files. The Scranton office must request checks from Harrisburg. These are prepared and sent to Scranton for mailing.

Proposed Approach: To establish necessary management control, the fund's main office should be relocated to Harrisburg. Suitable space is available in the Harrisburg State Hospital or the airport. The branch offices operate mainly as paper conduits to the main facility. In 1974, the claim volumes for the branches at Pottsville, Sunbury, Wilkes-Barre and Johnstown amounted to only 1,972. The fund's new computer program has eliminated much of the paperwork associated with claims processing. Therefore, these operations could be closed and the caseloads transferred to Philadelphia, Pittsburgh and Harrisburg with no increases in existing staff. Implementation would provide an annual saving of $474,000 in salary and operating costs for these four operations.

Implementation Strategy: The fund's board should authorize an immediate relocation of the main office to Harrisburg. The fund manager should be instructed to implement a plan to phase out the four branch offices over a one-year period. Regular meetings should be scheduled between the board, the fund manager, its chief counsel and the fund actuary to discuss operational requirements and to provide the necessary top-level management guidance.

261. Eliminate 13 disability claims adjudicator positions and fill nine clerical vacancies in the Disability Determination Division.

The division's Wilkes-Barre regional office employs 105 adjudicators. This is an excess of 13 positions over those authorized. At the same time, the clerical staff in this office is undermanned.

Proposed Approach: To return staffing to optimum levels, the adjudicator force should be reduced to the fiscal 1976 budget authorization of 92. In addition, the nine clerical vacancies should be filled. Implementation will provide a net federal saving of $79,000 per year.

Implementation Strategy: Approximately three of the excess positions will be vacated shortly due to retirements. The other 10 positions should be terminated. After authorization by the secretary, Department of Labor and Industry, the division chief should be able to complete implementation within three months.

262. Establish a utilization review committee at the Pennsylvania Rehabilitation Center in Johnstown.

The center has a capacity sufficient for 514 resident and 50 day care clients. At present, there is no mechanism to monitor the effectiveness of the services rendered. Areas to be evaluated include: quality, efficiency, necessity and effectiveness of services.

Client services cost approximately $30 per day. More effective delivery could reduce overall lengths of stay to provide direct savings or increased utilization of existing capacity.

Proposed Approach: The center should establish a utilization review committee to objectively evaluate the services provided each client. The objective would be to assist the center in providing quality services at an optimum level of expenditure. No specific savings are being claimed.

Implementation Strategy: Authorization to establish the committee would be required from the secretary, Department of Labor and Industry. When appropriate membership has been established, the committee should design a detailed review procedure to accomplish its stated objectives. Overall, implementation should require 12 months.

263. Abolish the social security contribution fund and transfer the account balance to the general fund.

This fund, totaling $7.5-million, is an accumulation of interest and penalties assessed for late remittance of social security payments. The major portion of the balance represents investment income. The costs of administering the social security program — approximately $250,000 annually — are paid from general fund appropriations.

Proposed Approach: The money in this account should be transferred to the general fund, thereby allowing the balance of $7.5-million to be appropriated by the General Assembly. Any monies not appropriated for current programs would provide additional investment opportunities for the state. Implementation would provide a one-time income of approximately $7.5-million to the general fund.

Implementation Strategy: Enabling legislation should be introduced by the Governor with the assistance of the secretary, Department of Labor and Industry.

264. Assess workmen's compensation carriers and self-insurers for administrative costs of the program.

The Bureau of Occupational Injury and Disease Compensation incurs some $4.3-million in administrative expenses for the workmen's compensation program. At present, neither workmen's compensation carriers nor self-insurers reimburse the state for these expenditures.

Proposed Approach: Costs incurred by the bureau in administering the workmen's compensation program should be assessed to all carriers and self-insurers on a pro rata basis. Implementation will provide an annual income of approximately $4.3-million and eliminate the need for appropriations from the general fund. Some 26 states already assess such costs.

Implementation Strategy: In order to implement this recommendation, the secretary of the Department of Labor and Industry should introduce enabling legislation to the General Assembly. It should provide for the establishment of a special fund to finance operating expenses of the workmen's compensation program; definition of what constitutes operating expenses; and authorization to assess carriers and self-insurers for such costs on a pro rata basis.

265. Increase processing fees for workmen's compensation self-insurance requests.

Approximately 310 firms request self-insurance status from the Bureau of Occupational Injury and Disease Compensation each year. The cost of conducting necessary investigations is about $62,500 while annual revenues from this activity total only $31,500.

Proposed Approach: The present $100 charge should be increased to $200 to put this activity on a self-sustaining basis. The additional annual income would amount to $31,500.

Implementation Strategy: The secretary, Department of Labor and Industry, should introduce legislation to amend the current fee structure.

266. Establish a fee schedule for boiler installation reviews.

Blueprints for proposed boiler installations must be submitted to the Boiler Division, Bureau of Occupational and Industrial Safety, for approval. The annual cost of processing is approximately $20,000. However, no charge is made for the service.

Proposed Approach: To make this activity self-supporting, a sliding scale of charges — from $10 to $25 — should be established. Implementation should provide an annual income of $24,000. To reduce mailing costs, plans should be returned by third-class mail unless the recipient requests and pays for first-class postage.

Implementation Strategy: The department should draft enabling legislation for approval by the Governor and submission to the General Assembly.

267. Request changes in federal law which require black lung claimants to file with the state in order to perfect federal claims.

Title IV of the federal Coal Mine Health and Safety Act provides benefits to miners who become totally disabled from pneumoconiosis (black lung) because of employment in a coal mine. However, the act mandates that persons seeking federal benefits must also file a claim under applicable state law. An amendment to Part C of Title IV act which became effective July 1, 1974, states that such claims no longer have to be filed as a condition of filing or perfecting a federal claim.

All black lung claims filed with the state are automatically contested by the Bureau of Occupational Injury and Disease Compensation. This is done to ensure compliance with Pennsylvania statutes and to afford all claimants due process and equal consideration. Determination of eligibility is made by a workmen's compensation referee although the decision may be appealed.

From July 1, 1974, to April 30, l975, some 1,621 claims were suspended at a point prior to awarding state compensation because the claimant began receiving federal benefits under Part B of Title IV. This was 30.6% of the total claims filed during that period. From January 1, 1975, to April 30, 1975, approximately 442 claimants receiving state benefits had them discontinued due to receipt of federal payments. Obviously, Pennsylvania is incurring a great deal of needless expense in processing claims under Part B which will have to be suspended or discontinued at some point in time.

Proposed Approach: The practice of filing for black lung benefits under state law for the purpose of perfecting a federal claim should be discontinued. This will eliminate redundant and unnecessary processing. The savings to be achieved cannot be quantified.

Implementation Strategy: A reinterpretation of filing requirements at the federal level will permit implementaton within a year. The secretary, Department of Labor and Industry, should request such a ruling and vigorously pursue approval.

268. Require recipients of black lung payments to file an annual affidavit of eligibility.

At present, the Bureau of Occupational Injury and Disease Compensation has no mechanism to monitor the continued eligibility of recipients receiving black lung

payments. Instances have been discovered where the spouse of a claimant continued to receive benefits after the recipient's death.

Proposed Approach: Requiring claimants to file annual affidavits of eligibility — including information on other types of compensation being paid — would provide the bureau with an effective monitoring procedure. No savings are claimed because the extent of abuses cannot be determined from available data.

Implementation Strategy: The secretary, Department of Labor and Industry, should amend eligibility requirements to include the proposed affidavit. The Bureau of Occupational Injury and Disease would be responsible for implementing compliance.

269. Change nursing home contract expiration dates to eliminate overtime requirements in the Division of Nursing Homes and Hospitals.

This division in the Bureau of Occupational and Industrial Safety is responsible for performing all life support surveys of nursing homes in the state. These studies must be completed before nursing home contracts can be renewed by the U.S. Department of Health, Education and Welfare (HEW). Since a substantial number of contracts come up for renewal at the same time, the division must authorize a significant amount of overtime to handle peak work requirements. In fiscal 1975, overtime amounted to 1,950 hours.

Proposed Approach: If HEW would renegotiate contracts to redistribute subsequent renewal dates over an extended period, overtime requirements could be eliminated. The annual cost avoidance would amount to $8,000.

Implementation Strategy: The division is in the process of negotiating with HEW to effect the proposed change. It should pursue its efforts vigorously to obtain required support.

270. Obtain federal approval to allocate a portion of department overhead expenses to the Bureau of Employment Security.

The Department of Labor and Industry incurs a certain amount of administrative expense in providing support services to the Bureau of Employment Security. This is a federally funded operation and precedent exists for federal reimbursement of indirect costs incurred by states in administering such programs.

Proposed Approach: The department should bill the bureau for a reasonable portion of overall overhead expenses and pursue collection from the U. S. Department of Labor. Identification must be provided as to the exact cost centers involved and the allocation methods used. If retroactive payment is made, there would be a one-time income of $60,000 and an annual increase in revenue of $28,500.

Implementation Strategy: The secretary, Department of Labor and Industry, and the director, Bureau of Employment Security, should contact the U. S. Department of Labor to secure approval for proposed reimbursements. Adequate documentation must be provided to support the request.

271. Mail minimum wage documents only to architects of public building projects.

At present, every architect, contractor, authority or awarding agency receives a set of prevailing minimum wage data for public building projects. This is redundant and unnecessary.

Proposed Approach: Packages should only be prepared for the architect and awarding agency on each project. Others requiring these data could obtain them from either source. Based on current preparation expenditures, there would be an annual saving of $208,000. This would include a staff reduction of two positions in the Prevailing Wage Division.

Implementation Strategy: Governing legislation would have to be enforced to require originators of construction projects to provide prevailing wage data in each bid request package. The Prevailing Wage Division would have to implement this policy and inform people on the current mailing list of the change in procedure. The effective date should be about two months after notification is completed.

272. Computerize the prevailing minimum wage service.

Current legislation requires that all contract specifications contain information on prevailing minimum wage requirements. The Department of Labor and Industry has a division of 24 people, supervised by a director, to provide these data. The Prevailing Wage Division maintains a card file for each county covering all occupations required in building, heavy construction and highway projects. Information is received and manually posted on a daily basis for 750 occupations in each of 67 counties. Six people are required to maintain the records and prepare contract packages for individual projects.

Proposed Approach: A computer program should be written to record, store and print current wage data for the counties. New information should be entered on a weekly basis and one-day turnaround provided for rate requests. Implementation would eliminate two positions for a net annual saving of $19,000. There would be a one-time cost of $5,000 to establish the computer software.

Implementation Strategy: The director, Prevailing Wage Division, should request the Office of Electronic Data Processing to prepare a system to provide necessary data. Because information would be updated on a weekly basis and an average of 50 contracts reviewed each week, the Prevailing Wage Division would have to monitor its requests to avoid duplications.

273. Eliminate hard-copy storage through use of microfilm in the Bureau of Occupational Injury and Disease Compensation.

The bureau's data storage requirements are extensive because of document retention requirements which range from seven to 10 years. As space needs increase, so will associated costs for storage and retrieval.

Proposed Approach: The bureau should purchase microfilm equipment to reduce — to the greatest extent possible — hard-copy retention. The equipment should have retrieval capabilities to provide ease of access.

Implementation should permit a net reduction of four positions for an annual saving of approximately $39,000. The one-time cost for equipment is estimated at $40,000. There would be an additional expenditure for microfilm.

Implementation Strategy: After authorization by the bureau's director, staff should determine that the quality of the microfilm copies will be acceptable in court proceedings. Once acceptable quality is assured, the equipment should be purchased and personnel reductions made. As the developing capability will probably be used by the bureau on a part-time basis, this service could be offered to other units to improve equipment utilization.

DEPARTMENT OF ENVIRONMENTAL RESOURCES

This department, augmented by three advisory bodies, is responsible for the protection of the land, water and air resources of the state. It was formed in 1971 to encompass activities formerly assigned to various departments and agencies. The fiscal 1975 budget amounted to more than $104-million of which $86-million was state funds. The operating budget for fiscal 1976 is estimated at $89.9-million as the previous appropriation included a non-recurrring item of $20-million for solid waste-resource recovery loans. Total staff within the department is approximately 3,200.

RECOMMENDATIONS

274. Implement an environmental master plan.

One of the basic needs in environmental protection efforts is an awareness of fundamental ecological relationships. Although some planning is done by various groups in the department, no master plan exists to coordinate their efforts on a long-range basis. The present lack of clearly defined goals and priorities results in less than optimum use of available manpower and resources. A master plan would ensure more effective use of department appropriations and could eliminate duplicate or overlapping activities.

Proposed Approach: The department has been working on the development of a master plan for some time. Specific objectives have been established and priority should be given to completing the plan and implementing it as quickly as possible.

Implementation Strategy: The secretary should issue a directive to department management — deputies, associate deputies and bureau chiefs — to proceed immediately with the completion of an environmental master plan. Compliance should be monitored by the Office of the Secretary.

275. Reduce the duplication of activities which now exists among federal, state and county environmental agencies.

In recent years, there has been a proliferation of federal, state and county agencies which set standards, monitor conformance and enforce laws and ordinances covering air, water, natural resources and solid wastes. The result has been an increasingly complex and costly duplication of surveillance and enforcement functions. In addition to the massive work load such duplication produces, contradictory instructions may be issued, resulting in wasted time and resources. The entire system is confusing and expensive, particularly in view of the limited number of qualified experts available to the industrial concerns being monitored.

Proposed Approach: A report should be developed — by county and by category — of the inspections made of the same sites by the various agencies at all government levels. Based on these data, a determination should be made as to which agency would be best qualified to assume enforcement responsibility for a particular environmental category. Agreement should be secured that the other agencies would withdraw their inspection activities and utilize the information provided by the governing unit. For example, it might be decided that the county is the most logical source for control of air quality standards. It would assume responsibility and keep the state and federal agencies informed of its activities. Implemen-

tation would result in an overall improvement in such inspection activities and would eliminate the waste which is inherent in the present arrangement.

Implementation Strategy: The secretary of the Department of Environmental Resources should take the lead in designing and implementing this proposal. Assistance could be obtained from the Office of State Planning and Development.

276. Abolish the Office of Deep Mine Safety.

Coal is mined in Pennsylvania using both deep mine and strip mining methods. The Office of Deep Mine Safety is responsible for safety and safety-related activities in anthracite and bituminous deep coal mines. However, this function is handled by the associate deputy, Mines and Land Protection, for strip mines. There appears to be no reason for such administrative fragmentation.

Proposed Approach: The administrative and support personnel in the Office of Deep Mine Safety should be terminated. The work performed by the office should be delegated to the Bureau of Surface Mine Reclamation under the associate deputy, Mines and Land Protection. There would be no necessity to increase staff to handle the additional work. Field personnel should be retained at their present bases of operation. Implementation would provide an annual saving of $256,000.

Implementation Strategy: The department secretary should authorize the necessary organizational changes.

277. Establish a Bureau of State Mineral Management in the department.

Pennsylvania does not have a comprehensive mineral resource plan for the development, sale, lease or control of state-owned mineral rights. The small amount of mineral resource development done on its land is fragmented and lacks centralized direction. The extent of the state's mineral rights are not adequately documented and, in some cases, not even known. Properly developed, these assets could return millions of dollars to Pennsylvania.

Proposed Approach: To effectively develop and manage all state-owned mineral rights, a Bureau of State Mineral Resources Management should be established within the Department of Environmental Resources. It would work directly with the agencies and departments which control state-owned real estate to identify all state mineral rights. The computerized land and lease program of the Bureau of Space and Facilities in the Department of Property and Supplies could then be updated to incorporate these data.

Long-range plans which are compatible with state goals and objectives should be developed in regard to these resources. To develop these assets and use the income for current expenses would be a disservice to future generations. Money derived from the state's mineral resources should be used only for capital projects or the retirement of bond issues, where appropriate. Wise use of these funds would reduce the state's need to borrow money, improve its credit rating and lower current interest rates as well as requirements for cash to service the existing debt load. In addition to providing sound fiscal policies in relation to mineral rights, adequate protection must be extended to the environment to provide restoration of the lands under development.

It is estimated that state mineral rights could produce at least $250-million in added income. If accomplished over a period of 20 years, the annual income would amount to $12.5-million.

Implementation Strategy: The Governor and the secretary, Department of Environmental Resources, should establish a policy in regard to development of mineral resources. The proposed bureau should be organized from existing department personnel and should begin identifying the state's mineral assets. Working with the agencies involved, the bureau should develop plans to lease or sell appropriate mineral rights. Leasing contracts should provide for increases in the royalty rates based on market prices.

278. Implement a manpower loading and scheduling system to improve coordination of applications for permits and increase the effectiveness of technical personnel.

Requests for permits and department approvals are received by applicable program units within each region. Those requiring action by more than one unit — water, air, solid waste and so on — must be transmitted to the other areas by the regional coordinator. This person is responsible for coordinating the transmittal of all permits with multi-program requirements. However, coordinators are not using effective manpower management techniques to coordinate scheduling of required tasks within a practical time frame, monitor progress and eliminate inefficiencies due to uneven work loads.

Proposed Approach: To increase overall effectiveness, all applications for permits or department approvals should be processed through the regional coordinator, whether single or multi-program in nature. This approach would permit optimum task assignments, progress monitoring and efficient scheduling. Until computer-assisted techniques become available, coordinators should be able to use manual Gantt Chart methods. Under this approach, the program administrators would develop chart formats to permit loading and scheduling of work for individual employees. The charts would also assist him in planning and controlling his own group's program

responsibilities. Such manpower loading and scheduling techniques could also be implemented throughout the department to improve overall staff utilization. Approximately $12.5-million of the annual budget is expended for technical and professional employees' salaries. A 10% improvement in efficiency due to improved planning and minimizing peak or slack work periods would provide an annual saving of $1.25-million. The benefit would be achieved by reducing the current staff by approximately 85 positions.

Implementation Strategy: Authorization should be provided by the department's secretary. The Division of Management Services would be responsible for developing appropriate charts and techniques and conducting a detailed review of application processing procedures through the various program units. It would also formulate the procedures required for project planning, coordination and control and conduct necessary training activities. Implementation should be complete within three months.

279. Install a uniform application processing system throughout the department.

The department currently issues 82 different licenses, permits, registrations, certificates and the like. There is no standard procedure for processing these documents. In many cases, a citizen coming under the department's jurisdiction may have to apply to several bureaus, each with specific inspection requirements. The average time to process an individual document may range from five to nine weeks.

Proposed Approach: A study was completed in 1973 proposing that a single application documents be used by the various department bureaus, augmented where necessary with additional technical information. Implementation would significantly improve department services, streamline paperwork activities and improve the exchange of information between bureaus.

The anticipated annual saving to be achieved would amount to $1.61-million, including a staff reduction of 141 positions within the department. Since the approach outlined in the report was well-conceived and properly documented, immediate steps should be taken to install as much of the proposed system as practical. The annual saving, assuming 50% implementation, would be approximately $800,000.

Implementation Strategy: The secretary should issue a directive to the deputy secretary, Administration, authorizing immediate implementation of "A Design of Uniform Application System for the Department of Environmental Resources," published by the Office of Administration, Bureau of Systems Management, June 1973.

280. Accelerate the timber management program.

The state owns more than 2-million acres of timberland. In addition to serving environmental and recreational purposes, these state forests provide a substantial source of income from the sale of timber. The annual revenue produced by the timber management program is approximately $1-million.

Proposed Approach: The Division of State Forest Management has completed an economic evaluation of various timber management practices. The study proposes a cultural treatment of 20,000 acres annually at a cost of $500,000 per year.

Activities would include a thinning of hardwoods, cleaning of seedlings and saplings and planting of bare land. The income to be realized is estimated at $550,000 per year for a net increase of $50,000. Implementation would have additional advantages as follows:

- Improve net worth of existing forests.
- Produce a sustained lumber supply to stabilize wood usage industries.
- Develop and preserve recreational areas while improving wildlife food supplies and cover.
- Increase watershed protection to provide maximum water yields.

Implementation Strategy: The secretary should authorize implementation of the project in the spring of 1976. Immediate action should be taken to request federal funding through the Comprehensive Employment Training Act (CETA) program based on the additional employment this project will provide. If a federal grant is not obtained, an application for funding should be included in the annual budget request.

281. Increase license fees for well drillers.

There are 560 licensed water well drillers in the state. The annual license fee is $3 plus $5 per drilling rig. The cost of printing, mailing and keeping records on the licenses exceeds the $3 revenue. The present deficit directly attributable for operating costs related to well drillers is approximately $8,000 per year.

Proposed Approach: The license fee should be raised to $10 per year plus $10 per rig. Implementation would provide additional income of $8,600 to cover current operating expenses.

Implementation Strategy: Legislation should be introduced by the department's secretary to authorize the new fee schedule effective January 1, 1977. A provision should be included to permit the department to make future fee adjustments.

282. Develop a plan to upgrade obsolete heavy construction equipment.

The Bureau of Forestry maintains 192 pieces of nonautomotive heavy construction equipment. Of this number, 75 need to be replaced because their continued use is reportedly unsafe, costly and inefficient. However, adequate economic justification is lacking because no records are available on repair costs or downtime.

Proposed Approach: The bureau should develop equipment history cards to show all maintenance performed including costs, downtime and associated operating costs as well as difficulties in acquiring needed parts. With this kind of support, certain individual equipment replacements can be justified and included in the annual budgets. Based on the data obtained, the bureau should develop a five-year plan to replace those equipment units which are excessively costly, unsafe or inefficient and for which economic justification can be established.

Implementation Strategy: The bureau chief should direct the various district supervisors to begin keeping equipment history cards. Uniform equipment records should be designed by the Bureau of Systems Management. A five-year replacement plan should be developed for presentation to the department secretary by the deputy secretary, Resources Management.

283. Cancel current plans to install a "front-end" processor in the Department of Environmental Resources.

The department plans to purchase a medium-size computer to control telecommunications between various EDP facilities and terminals in its central and regional offices. It would also act as the data base control for computerized department files and would perform certain local processing activities. Although front-end processors are often a cost-effective approach to telecommunications control, alternate means available to the department have not been fully considered. Other methods might be more economical, particularly in view of the size and complexity of the configuration proposed by the department.

Proposed Approach: Since many of the department's programs are already located at CMIC, it would appear that all interrelated data base activities could be transferred to that facility. The cost of conversion would be minimal and information stored in remote locations could be obtained as needed in an off-line mode. Implementation would meet the department's needs and would provide an annual cost avoidance of $88,500 compared to costs for the proposed front-end processor.

Implementation Strategy: The Department of Environmental Resources and the Bureau of Management Services should develop an effective implementation plan and time schedule to provide computer support which will supply the department with required management information systems. The CMIC facility should be able to provide all necessary hardware and software capabilities. The initial plan should require four months and should be updated every six months.

284. Utilize CMIC facilities to analyze data from the Department of Environmental Resources.

The department is planning to lease computer systems to collect and process data in its air and water quality laboratories. Savings can be achieved by performing only information collection and minimal processing in the laboratories. CMIC facilities could supply the detailed analysis work and report generation. Historical data collected by the Bureau of Air Quality and Noise Control could also be processed by CMIC.

Proposed Approach: Plans for the laboratory computers should be modified so that only data collection and minimal processing will be performed. Tapes can be sent to CMIC for analysis and report generation. Using this approach would provide an annual cost avoidance of $70,000 based on projected expenditures.

Implementation Strategy: The secretary, Department of Environmental Resources, should request a new equipment proposal in line with the suggested curtailment of laboratory EDP functions. The department should work with the Bureau of Management Services to develop appropriate specifications. Procedures should be established to provide required processing by CMIC.

DEPARTMENT OF AGRICULTURE

This department is empowered to control animal and plant diseases as well as insect pests; safeguard the public against impure and misrepresented foods, feeds, fertilizers and pesticides; and ensure licensing and control of dogs. It is administered by a secretary, appointed by the Governor.

The various bureaus and divisions are under the direction of two deputy secretaries. The Public Information Office and the Legislative and Program Liaison Office report directly to the secretary. The deputy responsible for programs controls eight bureaus: Administrative Services, Foods and Chemistry, Animal Industry, Markets, Plant Industry, Standard Weights and Measures, Dog Law and Farm Show. The Office of State-Federal Crop Reporting is also under his direction. The second deputy is responsible

for regional operations. In addition to seven regional offices, two bureaus — Rural Affairs and Planning Research — report to this position.

The department has an approved complement of 636 employees . Expenditures for fiscal 1974 were approximately $12.4-million with an additional $1.5-million provided in federal funds.

RECOMMENDATIONS

285. Abolish the Milk Marketing Board.

The original purpose of the board was to provide a means of ensuring fair prices to milk producers. However, 90% of Pennsylvania's dairy farmers now receive prices regulated by federal milk marketing orders. This regulation will be extended to all state milk producers shortly. Other board responsibilities such as bonding, licensing, enforcement and quality audits could be carried out more effectively by the Department of Agriculture.

Proposed Approach: As this board has outlived its usefulness, it should be abolished. Eliminating the board's minimum pricing function and reassigning its other activities to the Department of Agriculture would provide an annual saving of $300,000 in operating expenses.

Implementation Strategy: The Governor should introduce legislation to repeal the Milk Marketing Act, eliminate pricing activities and transfer other responsibilities to the Department of Agriculture. This should be accomplished by fiscal 1977 at which time remaining dairy farmers will be covered by federal milk marketing orders. Should legislation not be enacted, routine functions should still be transferred to the Department of Agriculture, resulting in net savings of $50,000 per year.

286. Take action to make the State Farm Show Complex self-supporting.

The complex is host to a number of shows during the year and most are funded through legislative appropriations. The complex itself is essentially sound, although not as attractive as more modern facilities. Some effort has been made to make this operation self-sustaining, but there is normally a deficit of at least $300,000 annually. In fiscal 1974, $305,000 was appropriated from the general fund for the complex. At present, a three-year rehabilitation program is underway at an estimated cost of $10-million.

Proposed Approach: There are three courses of action available in regard to this operation:

- Abandon present facilities and build a new center. Such a plan was initiated several years ago. Sites were selected, designs made and a scale model built. The estimated cost of $180-million has now escalated to $250-million. Implementing this approach does not appear feasible or desirable.

- Close the complex. This option suggests that the buildings and land be sold and the shows moved to another location. If the cost of leasing appropriate facilities did not exceed $300,000 annually, the state would benefit from reduced subsidization plus interest on the money received from the sale. However, legislators, department personnel and members of the farming community do not feel this is a viable solution. Reasons include: historical significance of the complex; lack of other appropriate facilities; difficulty of handling livestock in other locations; and loss of income to local people serving the complex.

- Rehabilitate the complex as planned. Since some work is already underway, this would appear to be the most desirable approach. However, a sustained effort would have to be undertaken to make the complex profitable to alleviate the current problem. It is of particular importance that an experienced manager be added to the staff to provide necessary convention and trade show development expertise.

Implementation Strategy: Efforts to increase profitability should be undertaken in the following directions:

- Employ an experienced manager of convention and trade show facilities to work under the complex director. This person should be a proven promoter and a skilled entrepreneur able to handle operations, fiscal management and project scheduling. A goal should be set to make the operation self-sustaining no later than fiscal 1978.

- Mount an aggressive program to promote use of the complex.

- Develop new uses for the facilities such as tours, farmers' markets, theatre activities and the like.

- Involve the local chamber of commerce, the state's Department of Commerce and appropriate civic groups in this effort.

- Install a monitored system to collect parking lot fees.

- Raise the rates for nonstate exhibitions gradually to keep pace with the rehabilitation work.

Successful implementation should provide a profit for the complex. The minimum benefit should be elimination of the annual deficit of $300,000.

287. Recover costs of certain laboratory tests made for department clients.

During the past several years, there has been increased interest in the subject of charges for services provided by

veterinary diagnostic laboratories. In 1971, the American Association of Veterinary Laboratory Diagnosticians made a study of fees collected in the country. Results from 45 states showed that 21 charged for such services and that four other states anticipated implementing some type of fee structure. The primary reason was to alleviate increased operating expenses. Traditionally, laboratories within the state have provided services on a nonfee basis. This was to ensure that these facilities could fulfill their primary mission of assessing and monitoring disease patterns in livestock and poultry while rendering assistance to these industries and the public health.

Over the past few years, however, soaring costs for equipment and supplies, demands for more sophisticated methods and the need for highly trained personnel have made it evident that the present system needs to be reevaluated.

Proposed Approach: It appears desirable to initiate a nominal fee to recover some costs for certain types of tests performed in the laboratories. However, rates that would encompass the total expenditure for all tests could discourage the submission of specimens vital to the primary objective of this service. A line must be drawn between those activities performed entirely for the public welfare and those directed toward increasing the profit of a producer. In fiscal 1974, approximately $4.2 million was spent on plant and animal health. With a precedent for establishing a fee structure already in evidence in other states, the state should initiate a study to determine practical methods for partial recovery of current laboratory expenses.

Implementation Strategy: The secretary should assign a task force to complete a thorough study of the veterinary laboratories and develop a viable fee structure. Implementation should not take more than six months. The plan should be able to develop increased revenues of approximately $250,000 annually without proving a hardship to the farming community. Regardless of anticipated revenue, it is vital that some distinction be made between services which protect the population at large and those which enhance the profitability of relatively small groups.

Implementation should help retain the current high quality of laboratory work, defray rising costs and make additional funding by the state either unnecessary or of lesser magnitude.

288. Upgrade EDP equipment to handle information now stored on cards.

The Department of Agriculture maintains health records on more than 1.9-million head of cattle at present. The information is stored on cards. Another 2-million cards are on file to respond to requests for specific and periodic reports on approximately 392 department programs. Some reports require that the cards be sorted as many as 15 times to develop required data. This system is cumbersome and unresponsive to the needs of the department and the citizens of Pennsylvania. Many requests for information have to be denied and storage of the cards has become a problem.

Proposed Approach: The department should convert its data processing facilities to utilize up-to-date storage and processing techniques. An effort should be made to obtain needed capabilities from EDP installations already in use by other state agencies. Herd data could be converted and stored at the computer installation in Middletown while the 392 small programs could be transferred to tapes or discs and retained by the department. Upgrading present equipment will increase the existing capability by 25% and permit a staff reduction of five positions. There will be a one-time conversion cost of $40,000 and an anticipated additional annual cost of $14,400. The annual savings would amount to $50,000 for a net benefit of $35,600.

Implementation Strategy: The department's Bureau of Administration should be responsible for contacting vendors regarding the necessary equipment changes. It should also work with personnel at the Middletown facility in regard to the transfer and conversion of the herd program. File cards should be maintained for three months after equipment is installed to ensure that programs are fully operational. In making the conversions, any unnecessary or redundant programs should be culled. The department should have duplicates of all tapes or discs to guard against loss by erasure.

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission is empowered to establish and maintain reasonable rates and adequate service in regard to public utilities operating within the state. It is a regulatory body with five members, appointed by the Governor for staggered terms of 10 years, subject to Senate confirmation. The commission functions through five bureaus: Secretary, Rates and Research, Transportation, Investigation, Service and Enforcement and Law. Total employment is 400 and the operating budget for fiscal 1975 was $7.9-million. Activities and policies of the commission are currently being studied by a Senate-select committee and an independent management con-

sultant. Results of these reviews are not yet available, but the areas addressed by these projects do not duplicate those discussed in this report.

RECOMMENDATIONS

289. Permit all bureaus to report directly to the secretary of the Public Utilities Commission.

Under the existing organization structure, five operating bureaus report to the chairman and the commissioners of the Public Utilities Commission. This arrangement hinders effective interbureau communications and may result in conflicting policies and practices.

Proposed Approach: The secretary of the Public Utilities Commission should be designated to supervise all commission bureaus. He would retain his supervisory role in relation to the Secretarial Bureau. Under this structure, the secretary would report to the chairman and the commissioners. Implementation would provide bureau directors with centralized authority which would improve coordination and communication between individual units. In this way, an effective overall operating philosophy can be developed.

Implementation Strategy: The commissioners should take appropriate action to implement this organizational realignment. Meetings should be conducted by the secretary and commissioners to explain the changes to the bureau directors. Implementation should be accomplished within six months of approval by the commission.

290. Assess contract carriers a pro rata share of administrative expenses incurred by the Public Utilities Commission.

The commission is empowered by law to regulate activities of both common and contract carriers throughout Pennsylvania. The Bureau of Transportation, in particular, assists, monitors, and performs services for common and contract carriers. All common carriers are assessed for administrative expenses of the commission. However, a similar charge is not made to contract carriers.

Proposed Approach: Since both types of carriers receive comparable service, they should share the administrative costs on an equitable basis. Therefore, contract carriers should be assessed a pro rata portion of the operating expenses incurred by the commission. A lack of financial data makes it impossible to determine specific benefits. While there will be no savings to the state, implementation will reduce costs for customers of common carriers since commission operating expenses will be apportioned over a larger base.

Implementation Strategy: The commission should draft and submit enabling legislation to the General Assembly. It should provide for the submission of financial data from contract carriers and the assessment of a pro rata share of commission operating expenses. Implementation should be complete within one legislative year.

291. Increase fees charged by the Bureaus of Transportation and Rates and Research for the services they provide.

The Bureau of Transportation processed approximately 700 motor carrier applications of various types during 1974. During the same period, the Bureau of Rates and Research handled some 150 applications for non-transportation utilities regarding mergers, acquisitions, security issuances and the like. The fee charged by the bureaus for these transactions is $10, a rate established by law in 1937. The average cost for processing the applications is $500.

Proposed Approach: The commission should establish a charge for processing applications which will be sufficient to recover all direct costs. This will require a legislative change. However, it is recommended that the necessary amendment permit the commission to set rates within established guidelines rather than specifying an amount in the governing statute. Taking this approach will provide the commission with more flexibility in establishing equitable charges for the various services rendered. Implementation will not result in a savings to the state since expenses in excess of fee incomes are assessed to all utilities operating within the state. However, this will permit the commission to recover service expenses from those specific groups making use of its facilities. This will establish a cost-benefit relationship. The increased fees should also reduce nuisance applications.

Implementation Strategy: Legislation should be introduced to grant the commission authority to establish fee structures based on the average cost of services rendered.

292. Increase fine amounts and provide for cost assessments by amending governing statutes.

Violations of Section 1311 of the Public Utility Law carry a financial penalty of not less than $25 nor more than $300 plus costs for a first or second offense. These include operating without a certificate of public convenience, hauling commodities not authorized by such certificates and operating outside of approved geographical areas. Subsequent offenses carry a fine of $100 to $500 plus costs. During 1974, there were 184 instances of carriers operating without a certificate of public convenience and 164 violations of geographical operating territories. This indicates that the penalties, which have not been changed since 1937, are not sufficient to act as deterrents.

Sections 1301 and 1315 also require assessments of penalties, but no provision is made to reimburse the

commission for costs incurred in prosecuting violators. Since all fines are transferred to the general fund, the commission does not receive any offsetting compensation for expenses incurred in assessing these penalties.

Proposed Approach: To discourage continued violations, Section 1311 should be amended to provide a minimum penalty of $300 and a maximum set at the retail value of the cargo or $5,000, whichever is higher. If necessary, provision could be made to impound the vehicle as well. This change is in keeping with the enforcement and penalty structure of comparable state statutes governing cigarette and beverage taxes.

Sections 1301 and 1315 should also be amended to include assessments for costs incurred in prosecution activities of the commission. Implementation should act as an additional deterrent and would reduce the annual expense assessments made by the commission. Available data are not sufficient to establish a specific amount in this regard.

Implementation Strategy: The required amendments should be introduced through the Senate-select committee now reviewing commission operations. Implementation should be complete within the period of one legislative year.

SECTION V

Financial Management

The Governor's Review – 1975

FINANCIAL MANAGEMENT

Team responsibilities in this area encompassed operations of several state organizations. These included: Office of Administration, Bureau of Financial Management, Office of the Budget, Department of Revenue, State Employees Retirement Board, Public School Employees Retirement Board, Liquor Control Board and activities of agency comptrollers or fiscal officers. The functions reviewed included cash flow, banking practices, fund transfers, accounting and reporting, financial planning, investments and data processing. Elected officials such as the treasurer and auditor general were beyond the scope of the review, but their effect on overall operations was taken into consideration in developing proposals.

At present, the state operates with a loosely woven system of financial management. The fragmented financial structure needs to be consolidated under one official with authority to direct overall fiscal activities. The Governor would play a key role in setting performance criteria for fiscal management activities. Department secretaries would be responsible for identifying their fiscal requirements and establishing tightly controlled budgets with unit cost measurements responsive to objectives, productivity and impact. Under the direction of a fiscal management official, agency comptrollers could then exert more effective fiscal control. It is also felt that a strong centralized function is needed in the Treasury to provide efficient management of cash operations.

Both the payroll and personnel systems in the state need to be upgraded to eliminate excessive manual operations and inefficient procedures. The state's pension systems are an area of major concern. The benefits are very expensive and go far beyond the criteria established for most private systems. Actuarial standards should be revised to identify unfunded liabilities on a more realistic basis. The deficit is now estimated at more than $5-billion and could be considerably understated. Finally, the funds themselves — some $4.3-billion — represent a formidable problem in investment management. Greater management expertise, improved use of available techniques, performance measurements and a broader range of professional advice are all methods which will improve the current return on invested dollars.

In regard to the Liquor Control Board, a proposal to change from state to private liquor stores was studied and discarded. The amount of profit available to a private owner, assuming no decrease in state revenues, does not appear to be sufficient to be an attractive alternative. Instead, proposals were developed to improve the overall efficiency and cost effectiveness of present outlets.

Electronic data processing is a major functional area which affects all agencies. The state spends approximately $50-million annually for data processing and it is anticipated that government requirements will increase substantially in the future. It is not realistic to ignore the benefits of centralized planning and organization. Both budget considerations and economies of scale demand that computer resources be consolidated in an effective manner. Planning activities must be improved to take advantage of new computer applications which can increase the efficient use of personnel and equipment. Cost justifications must be developed in evaluating hardware changes to meet present and projected needs. These requirements can only be met through a concerted effort to define and implement an effective program of overall data processing management.

Statistics show that Pennsylvania compares well with other states in regard to its financial management. However, the real problem is to control the rapid escalation of the per capita cost of government and the steep upward trend in employee levels and costs.

OFFICE OF ADMINISTRATION

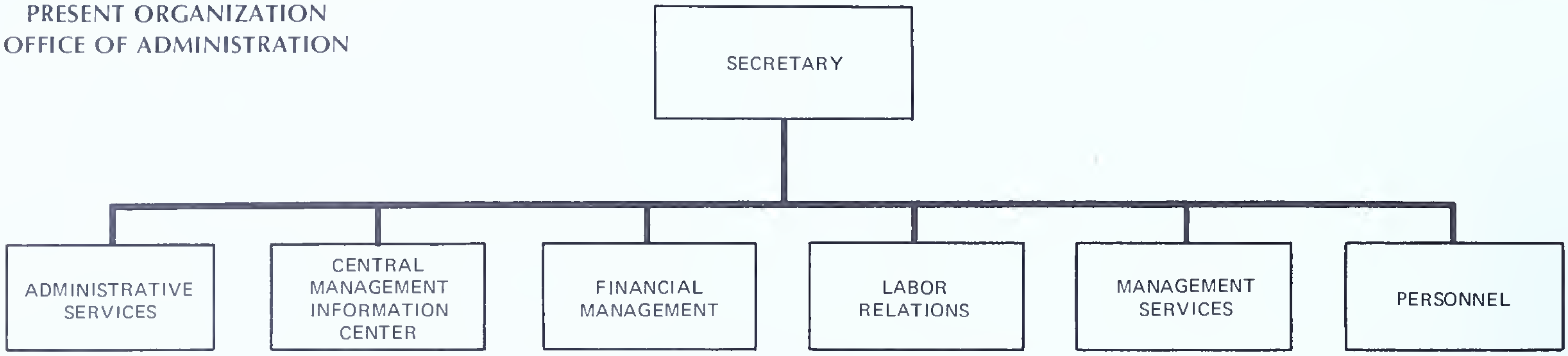
This office provides staff assistance to the Governor and expedites operations of the Executive Branch. It is headed by a secretary and consists of six bureaus: Administrative Services, Central Management Information Center, Financial Management, Labor Relations, Management Services and Personnel. Additional responsibilities encompass the provision of staff support to the Executive Board, coordination of a statewide cost reduction program and management of graphics, printing and mail/messenger services. The fiscal 1975 budget was $10.2-million including reimbursements for services to other agencies. Total employment was 446.

RECOMMENDATION

293. Reorganize the Office of Administration.

The Office of Administration is responsible for several distinct management functions: administrative services, centralized data processing (CMIC), financial management, labor relations, management services and personnel activities. The most significant problem in relation to this office is its lack of permanent status. Since it has not been established by legislation, the grouping of management functions which comprise the current Office of Administration exist at the pleasure of the Governor. Thus, both leadership and operational activities are sub-

PRESENT ORGANIZATION
OFFICE OF ADMINISTRATION



ject to change between administrations. Another difficulty is the failure of many state agencies to use the expertise and coordinating capabilities of the office. As a result, common functions such as accounting, personnel and data processing within these agencies are not operating at maximum efficiency. Several recommendations have been proposed throughout this report to remedy specific problems. However, to provide effective control of overall activities in this area, the organization structure of the office should be changed.

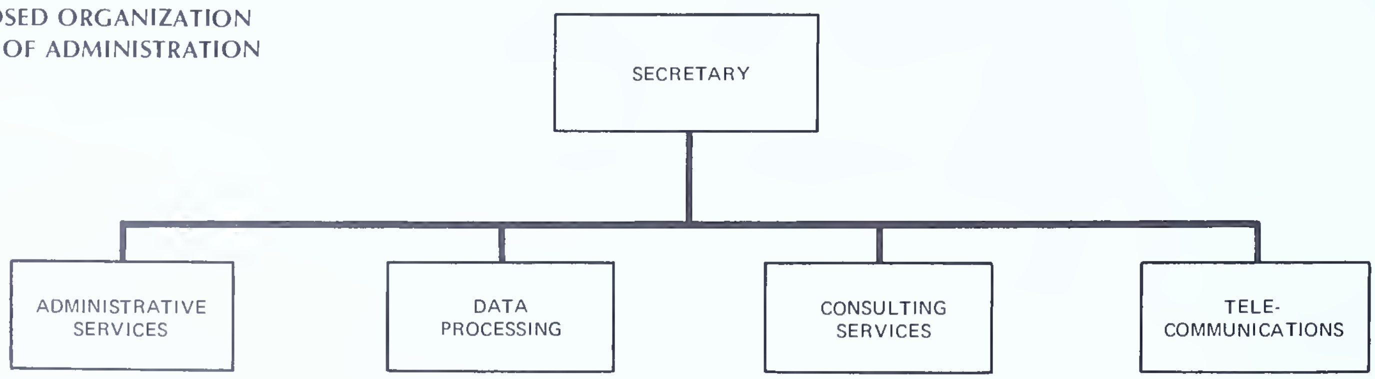
Proposed Approach: The responsibilities of the bureaus in the present organization, shown in the above chart, are as follows:

- Administrative Services provides support functions for the other bureaus in the office and to units in the Governor's Office.
- Central Management Information Center supplies systems analysis, computer programming and operational support needed to sustain and improve Pennsylvania's EDP information processing and reporting systems.
- Financial Management was created as a centralized accounting office for all agencies under the Governor's jurisdiction.
- Labor Relations plans and directs all labor relations activities for the state as the employer under the Public Employee Relations Act of 1970.
- Management Services is responsible for the development and implementation of statewide programs in the area of telecommunications, data processing, records management and the like.
- Personnel was established to implement a comprehensive classification and training program for all agencies under the Governor's jurisdiction.

The overall effectiveness of these units could be improved through a reorganization. Under the proposed structure, the secretary, Office of Administration, would report to the state manager position described in the report on the Executive Branch organization. A chart showing the recommended structure for the Office of Administration is depicted directly below. Administrative Services would continue to function as it does under the present organization. Central Management Information Center would be renamed Data Processing and would be responsible for coordinating and directing all EDP activities in the state.

Management Services would be retitled Consulting Services and would provide consulting expertise to all agencies using in-house personnel. It would also review the work of outside consulting firms and would coordinate department-level management services. The current communications unit in Management Services would be expanded and named Telecommunications under the new organizational structure. It would be responsible for statewide activities in the telecommunications area.

PROPOSED ORGANIZATION
OFFICE OF ADMINISTRATION



Activities assigned to the Bureau of Financial Management in the present organization would be transferred to the proposed secretary, Budget and Financial Management, under the state manager. The Bureaus of Labor Relations and Personnel would be assigned to the proposed secretary, Employee Relations.

Implementation Strategy: The secretary, Office of Administration, should implement the proposed organization in line with the proposals made elsewhere to strengthen the state's financial management, employee relations and data processing activities.

DEPARTMENT OF REVENUE

The Department of Revenue administers and collects all state income, sales and use taxes. It also runs the state lottery. The department had a $57-million budget for fiscal 1975 and more than 3,600 employees — a third of whom are field personnel with audit and enforcement duties. Revenue has eight operating bureaus: Sales and Use Tax, Cigarette and Beverage Taxes, County Collections, Corporation Taxes, Personal Income Tax, State Lotteries, Liquid Fuels Tax and Property Tax Assistance. These are supported by five staff bureaus: Electronic Data Processing, Management Services, Fiscal Management, Personnel and Research and Statistics.

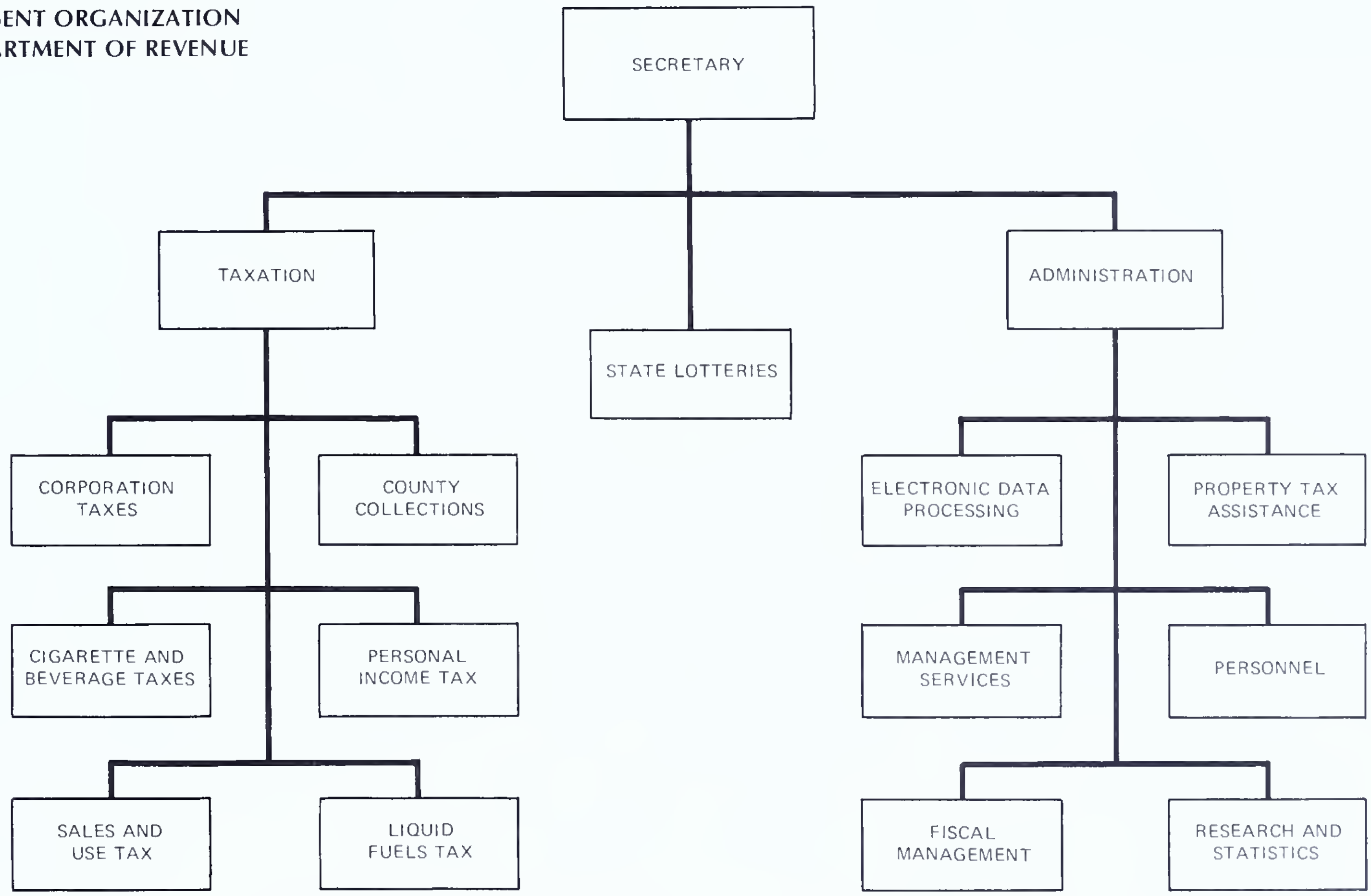
RECOMMENDATIONS

294. Reorganize the Department of Revenue along functional lines.

As illustrated by the present organization chart directly below, the department has eight operating and five administrative staff bureaus. Each tax bureau operates independently and has its own clerical, accounting and field functions. Seven of the 14 units are housed in separate buildings so they must also maintain office and management service activities. While the administrative bureaus provide support functions, physical separations require that many of these activities also be duplicated. The department's organizational structure has several weaknesses. For example:

- Fluctuating work loads make it difficult to maintain efficient manning levels. For example, the Personal Income Tax Bureau must hire 200 temporary workers each year to process forms during the filing season. On the other hand, the Property Tax Assistance Bureau has a considerable lull in its work load during the last four months of every year.

PRESENT ORGANIZATION
DEPARTMENT OF REVENUE



- Physical separation of activities results in duplicate office service functions. There are some 30 security guards and 77 messengers in the department. Approximately two-thirds of this staff could be eliminated if department operations were consolidated into one building.
- Procedures and programs are not consistent. Liens for sales and use taxes are computer-generated although the same type of work is done manually for personal income taxes.

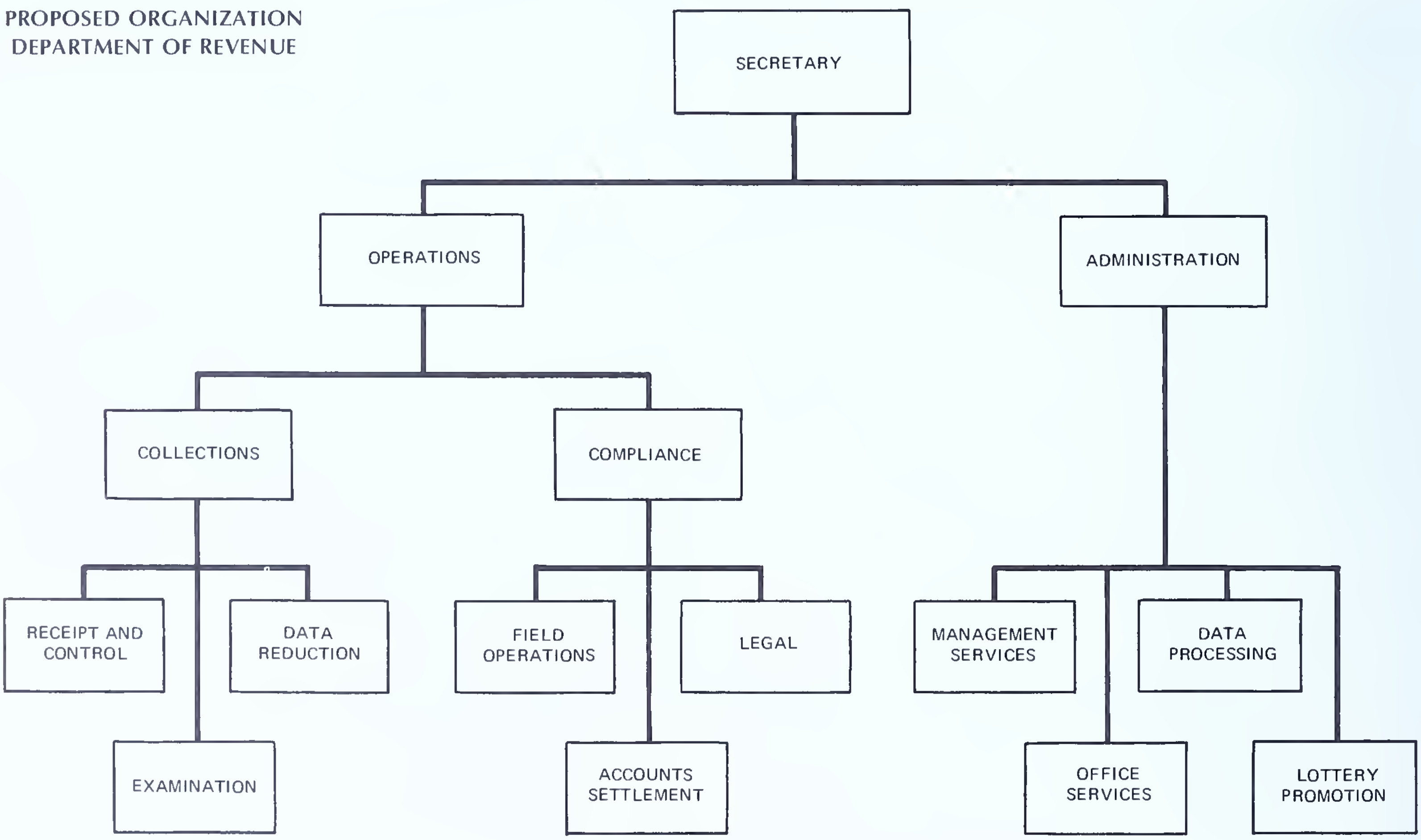
Proposed Approach: Plans are underway to relocate the department to a single building in Harrisburg. Activities should be realigned prior to the move on a functional basis. The proposed organization is shown in the chart directly below. Under this structure, the department would still have two deputy secretaries — one for Operations and one for Administration.

Operations would encompass two major activities under a Collections and Refund Office and a Compliance Office. The first would receive all tax returns, deposit checks, examine documents for errors, prepare data for computer processing and file returns. Implementation of a standardized assembly line procedure for all taxes will permit faster processing, reduced staff requirements and improved workflow by eliminating peaks and lulls. It is estimated that the clerical staff can be reduced by 266 positions through specialization and elimination of duplicate personnel. The Compliance Office would handle all assessments, settlements, tax audits, field investigations, legal and tax information services.

Implementation of this concept would enable the department to establish a complete accounts receivable record for each taxpayer. At present, such information is either not available or not current. This impedes collection of taxes and settlements on a timely basis. As an example of the progress which is possible, the Bureau of Sales and Use Tax has made an effort to increase its audits and collect more receivables. Stricter enforcement has enabled the bureau to triple collections and reduce the costs per dollar collected by one-third over the past four fiscal years. If the entire department could improve collections by the same 1.8%, revenues would rise by $80-million. Realizing the collection differences in types of taxes, another $20-million could be collected by increasing department expenditures for enforcement by $1.8-million annually for a net income of $18.2-million. This would be accomplished by:

- Establishing current, accurate tax receivable files with proper aging and emphasis on high potential returns.

PROPOSED ORGANIZATION
DEPARTMENT OF REVENUE



- Utilizing computerized files for receivables.
- Providing adequate controls and safeguards for receivable files.
- Adding 50 field auditors and replacing those whose performance is not satisfactory.
- Increasing efforts to collect amounts due before turning receivables over to the Department of Justice.
- Cross-checking files to ensure that all amounts owed by an individual taxpayer are paid promptly.

All support services would be consolidated under Administration. These would include the Bureaus of Management Services, Office Services, Data Processing and Lottery Promotion. The proposed consolidation of department operations would permit significant savings in support personnel. The cost of the move is estimated at $500,000. However, elimination of 387 positions combined with anticipated reductions in the Operations staff would provide an annual saving of $5.6-million. Principal savings would occur in mail, messenger, warehousing, central files and reproduction activities. They would be generated by:

- A purge of all files before the relocation.
- Establishment of a single central mailroom.
- Elimination of many messenger services.
- Termination of certain warehouse activities. For example, personal income tax forms could be mailed out by the printer instead of the department.
- Reduction the of department's security forces from 30 to 10 employees.

Increased interest income of $1.2-million annually will be realized by a one-day improvement in tax revenue deposits.

Implementation Strategy: The Governor should authorize the change in department structure and enabling legislation should be provided wherever necessary. The department secretary should appoint a committee to implement required changes and supervise the consolidation of offices in Harrisburg. It is expected that total implementation will require three years. However, the functional realignment should be 75% complete before the proposed relocation.

295. Reorganize and improve the inheritance tax collection function.

Inheritance tax collections are made by the registrar of wills, an independently elected county official. Parallel to this activity, the Department of Revenue has 369 field personnel in 65 county offices. These employees appraise estates, examine returns, review contents of safe deposit boxes and the like. Observation indicates little correlation between staffing levels and the number of estates closed. Expenses vary greatly and the number of open estates continues to rise. In the two-year period between 1972 and 1974, net collections rose by 1.5%, but expenses increased by 47%.

Proposed Approach: Several steps should be taken to increase the effectiveness of the inheritance tax collection function:

- Field personnel should be assigned to county offices based on the number of delinquent and closed estates to equalize work loads.
- The field offices should be reduced from 65 to 12 and 169 employees should be terminated for an annual saving of $1.6-million.
- Registrars of wills should not be used as the state's collection agents and all inheritance tax personnel should be paid from the general fund. Civil service representation should be increased to strengthen professional backgrounds and reduce patronage.
- Three full-time employees should be appointed to specialize in closely held corporations.
- Field personnel should utilize federal settlements as a basis for assessing amounts due the state. Consideration should also be given to modeling Pennsylvania's tax laws after federal inheritance tax provisions to simplify them.

Implementation Strategy: The Office of Administration has conducted a study of the inheritance tax function. On the basis of proposals made here as well as study findings, the secretary, Department of Revenue, should implement a reorganization of this activity. The reduction of field offices and personnel should be accomplished within one year.

296. Reduce excess staff at the Property Tax Assistance Bureau.

There is a lapse of four months between the mailing of one year's refund checks and the filing of the subsequent year's property tax applications. This leaves the principal portion of the bureau's work force idle for a third of the work year. The proposed restructuring of the Department of Revenue, discussed elsewhere in this report, will provide a uniform work load, but excess staff should be terminated immediately.

Proposed Approach: Based on current work levels, the following positions are not needed and should be abolished: 25 clerks in Operations ; two clerk-typists in the typing pool; an administrative assistant reporting to

the assistant director; and a clerk-typist in Claimant Assistance. In addition, Office Services should be combined with Personnel to eliminate two positions in Personnel and the proposed part-time summer staff should be reduced from 10 persons to two. Finally, certain jobs should be reclassified to better reflect the work being performed. Reclassification should encompass three positions in Data Entry, two in Pro Rata and one in Batching. Implementation will provide a total annual saving of $337,000 in salaries and benefits.

Implementation Strategy: The secretary, Department of Revenue, should authorize the bureau's director to effect these changes as quickly as possible.

297. Establish an independent audit function to monitor the Bureau of State Lotteries.

The bureau, in running lotteries, must control a vast amount of paperwork. Several games are run simultaneously and each can have up to 4-million tickets. Each ticket must be accounted for from the time it is printed until one year after the lottery is completed. Ticket validation accounting is supposed to be accomplished within 20 days, but delays of up to 80 days have occurred. New lotteries which provide for instant payments to winners will increase the control problems.

Proposed Approach: To alleviate this problem, it would be desirable to establish an independent audit control for bureau operations. Functions would include:

- Monitoring the bureau's computerized control systems to ensure that they are properly designed and maintained.
- Providing an independent review of the accounting systems, especially those for ticket validation.
- Checking on physical custody of lottery tickets and cash.

Implementation would require two auditors at an annual cost of $30,000.

Implementation Strategy: The Governor should request that the auditor general assign two people to the Bureau of State Lotteries. They would continue to report to the auditor general, but would provide written reports to the State Lottery Commission and the Department of Revenue. When the department completes its proposed functional reorganization, it could readily assume the auditing activity.

298. Eliminate the department's personnel information system.

When the state installed its Personnel Resource Management Information System (PREMIS), Revenue kept its in-house personnel setup intact, complaining that PREMIS was slow and carried inadequate information. The resulting duplication is costly and inefficient. Revenue's EDP bureau needlessly expends about $6,000 a year of computer time to run a separate personnel system — one which cannot handle temporary employees, while PREMIS can. Data must be entered differently for the two setups and output must be reconciled.

Proposed Approach: Revenue should abandon its in-house personnel system and use PREMIS. The department should investigate whether PREMIS is capable of carrying the additional information desired. Discarding Revenue's duplicate system would save $18,000 yearly in the salaries of two personnel clerks and $6,000 of computer time. Ultimate savings could be even greater since EDP is considering acquisition of a larger computer.

Implementation Strategy: The department secretary should immediately terminate the in-house personnel system and confer with Office of Administration representatives to see if PREMIS could carry the additional information he desires.

299. Match information on wages, interest and dividend payments from individual federal income tax returns with Pennsylvania returns.

The state does not presently match information on wages, interest and dividends as shown on individual federal returns with the same information on Pennsylvania returns. As a result, it does not have access to a relatively simple system for checking its collection of personal income tax revenues.

It is argued that, due to the differences between federal and Pennsylvania tax structures, a matching program would be difficult and invalid. This viewpoint overlooks the point that a simple match on common items of gross income — salaries, wages, interest and dividends — provides an inexpensive audit tool to ensure that taxpayers are reporting all taxable income to the state.

Proposed Approach: Implement a program of matching (by social security number) federal and Pennsylvania tax information using a computer which would compare federal data on magnetic tape with the Department of Revenue's information. Certain information, such as salaries and wages, should match exactly. Other data, such as dividend payments, may vary since the federal tax system provides for an exclusion.

Any discrepancies between gross income on federal and state returns could be audited to ensure that Pennsylvania was collecting all the taxes it is entitled to.

Such a procedure would provide:

- A simple test to see if all taxpayers are filing accurate returns.

- An accurate basis for field audits of taxpayers with possible tax liabilities.
- A means of providing better tax reporting as public awareness of the matching procedure grew.

It is estimated that approximately 400,000 taxpayers (or less than 9% of the total) do not file Pennsylvania income tax forms. It is further estimated that 30% of these nonfilers had a $50 tax liability. If, as a result of this program, Pennsylvania can collect 10% of the $7-million liability, additional annual income of $700,000 will be generated.

Implementation Strategy: The Department of Revenue has a computer program available to its EDP bureau which is capable of matching federal and Pennsylvania tax data. A four-man task force has been established to determine how best to match federal and state tax information. A pilot test has been made with some success. The department's secretary should assign highest priority to the test project in order to implement tax report comparisons promptly and collect revenues due the state. Investigations of discrepancies should be made by the department's field audit force.

PENSION PLANS

The Pennsylvania Public School Employees' Retirement System is administered by a board of nine members with the secretary, Department of Education, as chairman. Investment advice is provided by two banks, an actuary and a financial consultant who supervises portfolio management. As of February 28, 1975, the retirement fund was earning 6.19% on investments comprised of 75.4% corporate bonds, 15.9% mortgages, 4.5% common stocks and 4.2% short-term investments. The board meets monthly to administer a fund of $2.9-billion. An appointed secretary supervises all administrative activities.

The State Employees' Retirement Board consists of seven members. Six are appointed by the Governor and one by the board members, but all must be confirmed by the Senate and the state treasurer. Employee contributions to the retirement system amounted to $86-million with state funding of $140-million in fiscal 1974. This leaves unfunded approximately $2.4-billion which will be required as future liabilities come due. The average monthly annuity for fiscal 1974 amounted to $260. The board is aided in its fund management by an investment advisor, mortgage investment supervisor, an actuary and legal as well as medical counsel. A secretary is appointed by the board to supervise administrative activities. Operating costs for fiscal 1975 were almost $1.3-million.

RECOMMENDATIONS

300. Create a permanent Pennsylvania Retirement Study Commission.

Projecting the present pension systems as well as the benefit improvements being considered by the General Assembly, it is obvious changes must be made to meet unfunded liabilities and reduce overall costs. As previously discussed, a major problem is the lack of formal procedures for identifying the financial implications of benefit improvements. Current provisions are unnecessarily generous and, in some instances, result in excessive administrative activity. More importantly, the systems do not take into consideration the effect of social security payments on an employee's retirement income. It is vital that the state examine the existing plans and take steps to revise them.

Proposed Approach: A permanent commission should be established by law to study and recommend pension plans for all state and municipal employees. This body should also prescribe the funding methods required to make the programs actuarially sound. The commission should consist of seven members, appointed by the Governor and approved by the Senate. Four of the candidates would have to be qualified in the area of pension plans and none of these members should be a participant in a public employee pension plan. The other three should be chosen to represent the General Assembly, the Executive Branch and public employees. Responsibilities would include continuing study in the areas of retirement income, disability and death benefits, social security and overall needs of public employees. The commission would make legislative recommendations based on sound, long-range planning. Its first priority would be to examine and recommend changes in the present plans with respect to:

- Benefits and eligibility requirements.
- Funding and financial soundness of the state's pension systems.
- Implementation of the programs through efficient administrative practices and wise investment policies.

The commission should receive adequate funding from the General Assembly to permit it to retain adequate support personnel, actuarial and legal services and other capabilities such as data processing needed to carry out these responsibilities. No specific costs or savings can be identified.

Implementation Strategy: Legislative action is needed to establish the commission and provide long-term appointments of six years or more. The Governor in cooper-

ation with a joint legislative committee should institute an immediate freeze on changes to the retirement systems pending review by the proposed commission.

301. Change board selection methods from elective to appointive.

At present, four of the nine members of the Pennsylvania Public School Employees' Retirement Board are elected. Current legislation would add two more elective members to the board. The cost of these elections is approximately $60,000 per year. Also, the majority of members are recipients of public school pensions while none represent the general public.

Proposed Approach: The election of board representatives by the 200,000 members of the Teachers Pension System should be eliminated in favor of appointed positions. Implementation will provide an annual saving in election expenses of $60,000. Further, a more equitable board composition should be prescribed to provide substantial public representation.

Implementation Strategy: The Governor should sponsor legislation to change the board selection methods and composition to provide that at least four members be appointed who are not school or state employees.

302. Merge the state and school employees' retirement systems.

These systems are almost identical in benefit structures and operating procedures. Keeping them separate merely results in unnecessary duplications and expense. Many states have a single retirement program to cover all of their employees.

Proposed Approach: A single retirement system should be developed to cover all state employees. It should be designed to integrate benefits with social security payments, provide a one-year waiting period for new employees and do away with employee contributions. Implementation would make it possible to merge and reduce the administrative staffs of the two retirement systems. No specific savings are claimed, but overall efficiency should be increased.

Implementation Strategy: The Governor should issue a directive authorizing a merger of the systems following legislative action on the proposed revisions to the funding and actuarial activities of the plans.

303. Freeze benefits under the state and school employees' retirement systems pending a study.

Both systems suffer from poorly planned changes in benefits. There is no formal procedure for reviewing proposals and, often, the financial implications of pending changes are not properly considered.

Proposed Approach: An immediate freeze should be instituted in regard to both systems pending an impartial study to determine if proposed changes are justified. Implementation would permit a careful assessment of the current status of both plans and provide direction for appropriate future development.

Implementation Strategy: The Governor should direct an immediate freeze on benefits while the auditor general prepares an up-to-date report on current financial conditions. It may be necessary to introduce legislation establishing review procedures.

304. Amend the state and school retirement systems so that employee contributions are eliminated.

At present, state and school employees are required to contribute a portion of their earnings to their respective retirement plans. Although they are under the impression that these contributions account for roughly half of the benefit costs, actuality, they cover less than 20%. Another problem is the administrative burden resulting from withdrawals of employee payments upon termination of service with the government.

Proposed Approach: Making both plans noncontributory would offer several benefits. First, the administrative burden of returning employee funds would be eliminated. Second, discontinuing such contributions would remove some of the thrust for continual benefit improvements fostered by the mistaken idea that half the money is provided by employees. Finally, the resulting salary increase of 5% or more would be extremely welcome to most state employees.

Implementation Strategy: The chairmen of the retirement systems should assess the net effect of employee contributions in offsetting the cost of benefits. This would require an actuarial statement of the total impact on funding if such revenues were eliminated and a study of the time and expense involved in administering contributions and subsequent withdrawals. If benefits of a noncontributory plan are sufficient to warrant the change, appropriate legislation should be provided.

305. Implement a comprehensive communications program in regard to employee benefits.

The absence of an effective information program to explain the retirement systems results in several problems. For example, the plans now offer benefits in excess of those found in industry, but unions continue to ask for improvements. Administrative time is required to explain various provisions to employees because of the lack of written descriptions.

Proposed Approach: Participants receive an annual statement each year showing the amount of their con-

tributions. This information should be expanded to include details on death benefits and projected retirement benefits. A series of booklets should be prepared by each of the retirement systems to explain clearly and in detail important provisions of the plans. Other forms of communication should be used, as appropriate, to advertise the current and prospective value of plan benefits to the state's employees. The implementation costs would be minimal.

Implementation Strategy: The chairmen of the two systems should develop and implement an appropriate communications program over a one-year period. Assessments should be made of existing capabilities as well as practices used by other states and industrial organizations to accomplish similar objectives. Some outside expertise may be necessary, but in-house skills should be used whenever possible.

306. Improve the financial condition of the two retirement systems.

The financial condition of both retirement systems has worsened in recent years. This deterioration is due to three factors: substantial benefit improvements have increased unfunded actuarial liabilities; actuarial assumptions have not been revised to reflect existing conditions; and the state has not adhered to its schedule of contributions. Even by present actuarial standards, liabilities for these programs are probably in excess of $5-billion.

Proposed Approach: The financial condition of both pension systems can be significantly improved by taking the following actions:

- Qualified actuaries should prepare a financial impact report for each benefit change proposed for the plans. This will provide legislators with a realistic assessment of the cost of such improvements.
- Actuarial firms which conduct the valuations of the two systems should be permitted to revise and update their assumptions, particularly those which have a direct bearing on estimating the true cost of the plans. It is especially important to portray unfunded liabilities accurately.
- The state should adhere to a schedule of regular contributions to the retirement plans. This is a basic requirement for establishing financial security in regard to the systems.

Implementation Strategy: The Governor should authorize a special study to redefine unfunded liabilities using revised, realistic actuarial assumptions and methods. Once the extent of the deficit is identified, the state must begin making substantially increased contributions to both of the programs.

307. Review benefit formulas of both retirement systems to include social security payments.

Because social security payments are not included in the benefit computations of the retirement systems, employees may retire with more income than they averaged during their three years of highest salary. As previously pointed out, this is not the intent of a retirement program.

Proposed Approach: State retirement benefits should be calculated on a basis which will include social security payments. If existing formulas were modified to take into account 50% of an employee's primary social security benefit, the potential savings to the state would equal approximately one-third of the annuity payments.

Implementation Strategy: A program of educating state employees in regard to social security benefits should be initiated and legislation prepared to integrate state retirement and social security benefits. In preparing employees for this change, emphasis should be placed on the necessity of controlling program costs.

308. Establish a maximum total retirement income benefit for present and future state employees.

Under the existing retirement systems, many employees will receive benefits which are higher than their current salaries when both state and social security incomes are considered. This is not the intent of a retirement program and steps should be taken to establish a reasonable income maximum.

Proposed Approach: A general review and revision of both the state and school retirement plans is needed. As an interim step, however, a maximum income amount should be established for present and future employees.

This amount should be equal to 80% of the employee's highest three-year average pay and should include the full primary social security benefit. Implementation would provide substantial savings to the state while still offering benefits which equal or exceed comparable industry and government plans.

Implementation Strategy: The Governor should initiate and prepare appropriate legislation for submission to the General Assembly.

309. Require new employees to wait one year before joining the retirement programs.

High turnover during the first year of state employment results in numerous withdrawals of small retirement program contributions. Withdrawals average in excess of 5,000 per month. Although the impact on net earnings is insignificant, the administrative work load is a major cost item in both systems.

Proposed Approach: Requirements of the systems should be revised so that participation does not commence until new personnel have completed one year of employment. Credit could be given for this service at a later time. Implementation of this suggestion would reduce the administrative work load and associated expense by a substantial amount.

Implementation Strategy: Appropriate legislation should be prepared by the systems' chairmen to authorize this change in the programs.

CASH MANAGEMENT

The cash management function affects almost every operation in state government. Collection of receipts falls under the Governor's jurisdiction while the state treasurer, an independently elected official, is responsible for disbursements. The fiscal 1975 operating and capital budget totaled $7.8-billion. In addition, more than $4-billion in cash transfers are made each year. The state has more than 3,000 bank accounts and does business with most of the 1,400 banks in Pennsylvania.

The growth of state operations, the size of receipts and disbursements and the increased number of deposit accounts requires modern cash management techniques. At present, the state needs improved financial expertise to realize optimum returns on its cash resources.

RECOMMENDATIONS

310. Establish a cash management function for the state.

At present, there are 26 active state bank accounts used to disburse general funds. More than 300 accounts function as time deposits with fluctuating interest rates. In addition, the various agencies maintain some 2,400 bank accounts to deposit their funds.

Without a comprehensive analysis of the state's banking relationships, there is no way to ensure that proper balances are kept in each account, based on the services performed. Thus, it is probable that the state is maintaining excess balances which could be used for investment purposes.

Proposed Approach: The state treasurer should analyze the net balances in each account as well as the type and amount of activity generated. Based on these data, reasonable prices should be established for various bank services and optimum cash balances negotiated as compensation. Also, there should be a cash management function established to monitor all receipt and disbursement systems for peak efficiency. With an annual cash flow of more than $19-billion, such analyses could produce a $50-million increase in investable funds. At 6%, the annual added income would be $3-million. In addition, certain cash operating procedures should be revised as follows:

- A sheet transfer mechanism should be used to wire transfer funds to the 25 disbursing banks. This system requires only a dollar amount and date. Implementation will reduce manual processing.
- A magnetic tape should be provided to disbursing banks by the state showing check numbers and amounts. This would permit the bank to provide the state with a full reconciliation of accounts.
- Paper checks should be substituted for card stock to reduce processing expenditures.

Implementation of these changes will permit a total annual saving of $160,000 in personnel and processing costs.

Implementation Strategy: The treasurer should appoint one person full-time to analyze bank account activity and optimum balance levels. Another person should be given the responsibility of monitoring the state's cash receipt and disbursement functions. This employee would also be responsible for implementing changes in department procedures and evaluating overall cash management philosophies for further improvement.

311. Increase state interest rate to 9% and raise the penalties for late payments and bad checks.

At present, only 6% interest is paid on money due the state. In addition, approximately $4-million in bad checks are received annually for various payments. The federal government recently raised its interest rate to 9% because 6%, in the current money market, had ceased to be a penalty.

Proposed Approach: The Fiscal Code should be amended to provide for a 9% interest rate on late payments of taxes and fees due the state. Other penalties should be reviewed and increased as appropriate to encourage compliance. In addition, penalty rates and an interest rate of 12% should be applied to worthless checks to discourage this practice. Implementation will provide an additional annual income to the state of approximately $1.5-million based on delinquency data. A 10% reduction in the number of worthless checks processed will also save $2,000 per year in bank charges.

Implementation Strategy: The Governor should introduce legislation to increase the interest rate to 9% in the Fiscal

Code. Department secretaries should be requested to review interest and penalty rates as well as worthless check provisions to prepare suitable legislation.

312. Improve cash receipt methods.

Although the state has significantly improved its handling of cash receipts, some problems remain. Areas which need improvement include early cutoffs for check processing, inefficient procedures during peak work periods, post dating cash receipts to allow for processing activities, unnecessary channeling of cash through the Department of Revenue and slow processing of cash receipts in various agencies.

Proposed Approach: Improvements in current handling procedures could add half a day to collected balances of $5-billion annually. At 6% interest, this would amount to an additional annual income of $400,000. Procedural changes should include the following:

- Establishing processing cutoff times for checks as late in the day as possible. This will permit maximum capture of cash receipts without the necessity of holding checks over for a day.
- Provide temporary staff during peak periods to ensure prompt processing of receipts, making frequent cash deposits and clearing transfer accounts as rapidly as possible.
- Eliminate the practice of post dating cash receipts to ensure immediate deposit.
- Require all agencies to send revenues directly to the state treasurer. The Department of Revenue can perform its accounting functions after deposits have been made. Clearing accounts should be used for deposits which require coding activities to eliminate delays. Final accountings can be made later.
- Analyze receipt functions of the various state agencies to see if they could be performed more efficiently in the Department of Revenue. Where this is not practical, an agency system should be implemented to ensure prompt deposit procedures.

Implementation Strategy: The Bureau of Financial Management should implement these changes in cooperation with various agency comptrollers. Primary responsibility would rest with the agencies. A maximum of two business days should be established for processing all of the cash receipts.

313. Substitute accounting entries for checks covering payroll withholdings.

State payrolls are run on a daily basis with deductions for each department handled separately. The state treasurer prepares checks based on these deductions for deposit in appropriate funds. The same procedure is used to restore payroll withholdings to a department whenever an employee's check is docked for cause.

Proposed Approach: Accounting entries should be used instead of checks to provide appropriate withholding transactions. This would eliminate the need for separate funds — social security, federal withholding and the like — and refunds to departments when employee checks are docked. Reductions in processing activities should provide an annual saving of $50,000 in personnel and paperwork costs.

Monies now kept in separate funds could be combined for investment purposes. The current check system keeps these funds unavailable for investment for a minimum of three days. Freeing them would provide an annual increased income of $400,000, based on a total of $840-million for fiscal 1974.

Implementation Strategy: Legislation should be enacted to abolish separate withholding funds. The Bureau of Financial Management would be responsible for developing an accounting system to eliminate the use of checks.

314. Automate certain procedures in the Bureau of Property Tax Assistance.

This bureau processes some 430,000 claims annually for property tax assistance. The majority of the work involves examining claim forms and notifying claimants of errors or missing information. Partial automation of the procedures would reduce processing costs by a substantial amount.

Proposed Approach: In order to reduce manual processing, only nonroutine claims with errors or missing information should be referred to the typing pool. This constitutes approximately 20% of the bureau's work load. The remainder would be batched and keypunched for computer processing.

Implementation should reduce the examination load by 5% through eliminating standard arithmetic checks while the typing volume would be decreased by 60%. There would be a one-time cost of $75,000 to provide necessary software and programming. The annual saving in personnel reduction expenditures is estimated at approximately $132,000.

Implementation Strategy: The secretary, Department of Revenue, should authorize the Bureau of Property Tax Assistance and the Bureau of Data Processing to develop and implement the required procedural changes. The claim form should be reviewed by an outside designer to simplify and improve it.

ACCOUNTING AND REPORTING

Accounting and reporting functions in Pennsylvania are shared among the Office of the Budget, Office of Administration, state treasurer and auditor general. The objective is to provide information on agency and state resources as well as the efficiency of the various operations. The Office of the Budget is responsible for preparing an annual budget for agencies within the Executive Branch. The Office of Administration, acting through the Bureau of Financial Management and the Central Management Information Center, serves as the fiscal officer for all agencies under the Governor's jurisdiction. The systems and procedures used serve to facilitate agency accountability. This is done through the exercise of appropriation controls to ensure compliance with legislative intent. A framework of internal controls is utilized to safeguard an agency's resources.

RECOMMENDATIONS

315. Reorganize all fiscal and comptroller activities under the Governor's jurisdiction.

The fiscal organization of the state is splintered and suffers from a lack of leadership, overlapping functions and ineffective performance. Responsibilities are divided among the various agencies, the Office of the Budget and the Office of Administration. There is a definite need for uniform accounting and reporting procedures in the agencies while control mechanisms are estimated to be only 50% effective.

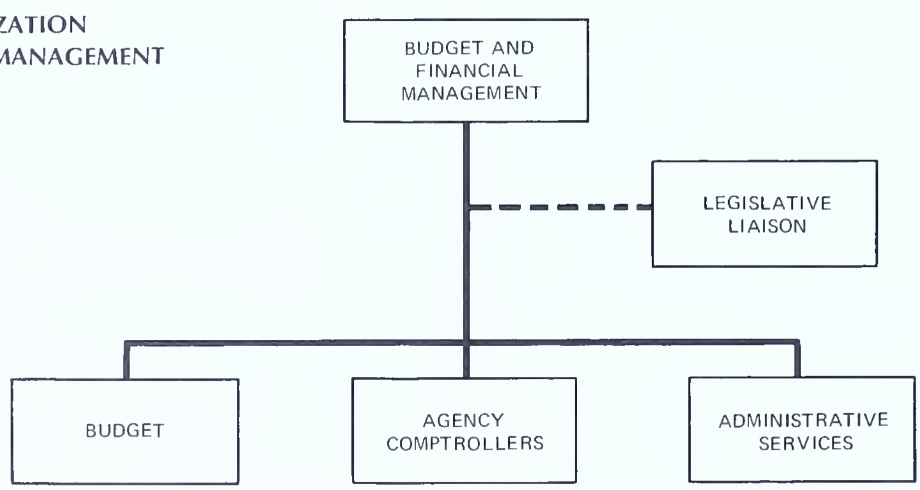
Proposed Approach: The state's fiscal and comptroller activities should be centralized under one secretary. As depicted in the organization chart shown below, activities would be divided into three areas, under deputies selected from existing state personnel. The deputy, Budget, would be responsible for all activities assigned to the present Office of the Budget. All agency comptrollers would report to a single deputy to provide effective communications between the secretary, Budget and Financial Management, and the various agency fiscal units. A deputy, Administrative Services, would provide the support functions needed by the central organization. Legislative liaison would also be needed to coordinate activities with the General Assembly in the area of budget preparation. The secretary, Budget and Financial Management, would work with the Office of Administration to secure additional support services, including data processing capabilities, as needed to develop new systems and controls. Overall responsibilities of this proposed fiscal organization will include:

- Establishing uniform accounting and reporting procedures as well as control benchmarks.
- Measuring agency efficiency.
- Preparing, analyzing and interpreting budgets.
- Lapsing funds and long-range planning.
- Conducting work simplification and elimination studies.
- Developing pre-audit procedures and cost-benefit ratios.

Implementation will significantly improve the overall effectiveness of the state's fiscal activities and should provide substantial savings through elimination of redundant activities and excess personnel. It is felt that at least 180 fiscal positions could be abolished for an annual saving of $2.68-million.

Implementation Strategy: The Governor should appoint a secretary, Budget and Financial Management. It will be the secretary's responsibility to choose appropriate deputies and implement a centralized fiscal organization.

PROPOSED ORGANIZATION
BUDGET AND FINANCIAL MANAGEMENT



The program should be operational within 18 months while staff reductions should be complete in two years.

316. Use output units as performance measurements in developing department program budgets.

As it exists, the budget system does not provide for control or reduction of costs. Few managers use standard performance measures to arrive at staff levels and program costs in developing department budgets. The failure to utilize these techniques makes it difficult to assess actual performance at a later date. Performance should be reviewed by comparing costs per unit of output. These units must be a valid measurement of program productivity and should be compared with the budget and actual costs on a periodic basis. The present accounting system does provide for cost collections by program. However, comparisons are made only with the total budget, not year-to-date portions on a regular basis. As there is no reporting of output units, costs per unit cannot be identified.

Proposed Approach: Output units should be identified which will measure program activity volumes and which have a valid relationship to established goals. These units should be related to cost so a unit cost for program output can be obtained.

The accounting system should collect costs and encumbrances on a program basis for monthly review. The resulting report should reflect individual monthly budget amounts so department managers can evaluate year-to-date status on all programs. The reporting system should include output measurements. Department comptrollers should alert program managers who are encumbering funds at a rate which exceeds their year-to-date share of the budget. The Office of the Budget should maintain overall control by reviewing all monthly budget reports. Although potential benefits could amount to several million, no specific saving is claimed.

Implementation Strategy: The Governor should issue a directive requiring all department secretaries to adopt the principles of performance management, as proposed, in developing future budgets. The Office of the Budget will be responsible for assisting agencies in implementation of this recommendation. Total implementation is expected to require two years.

317. Develop impact measurement for all programs included in the state budgeting system.

An essential part of the budget process is the ability of the chief executive to determine if various program objectives are being met. This requires an identification of program impact measures — what effect the activity is having on the safety, health and welfare of the citizens — and analysis of impact results. These data are critical in weighing the relative merits and costs of programs competing for funds. However, few programs have impact measurements and most of the existing ones are of questionable validity.

Proposed Approach: Valid impact measurements must be developed, identified and tested for each program. These criteria should be reported along with program costs and output units to establish a comprehensive reporting system for each program. Implementation will provide a necessary tool for judicious program selection and fund utilization.

Implementation Strategy: The Governor should issue a directive to all department secretaries requiring that impact measures be identified and validated for each program. Implementation will require extensive interaction between the departments and the Office of the Budget.

318. Require agencies to return unused appropriation amounts to surplus at the end of each fiscal quarter.

Lapsing funds is the process of returning unused appropriation amounts to surplus. Once lapsed, these amounts are no longer available to individual agencies for commitment to expenditure. At present, appropriations are not lapsed until the fourth quarter of the fiscal year. Budgeting techniques are such that agencies attempt to use appropriations in full. As a result, expenditures in the fourth quarter become abnormally high in order to avoid lapsing funds.

Proposed Approach: The budget should be prepared on a quarterly basis and agencies should be required to lapse funds at the end of each fiscal quarter. Unexpended funds would be lapsed automatically by the Bureau of Financial Management unless the agency could justify carrying an appropriation over to the next quarter. Implementation would eliminate the practice of abnormal spending to avoid lapsing.

Implementation Strategy: The Governor should issue an executive order authorizing the proposed quarterly lapsing procedure. The Office of the Budget would be responsible for revising agency budgets to the required quarterly basis. Agencies which show budget performance improvement should be given appropriate public recognition.

319. Increase license fees in the Bureau of Professional and Occupational Affairs to cover operating expenses.

The bureau is supported by general fund appropriations. Existing fees supply revenues to the fund which approximate only 80% of the operating expenses. Action should be taken to increase charges in line with actual service expenditures.

Proposed Approach: Use of a team of management analysts from the Bureau of Management Services has been proposed to study the information needs of the Bureau of Professional and Occupational Affairs. In conducting this project, they should also address the problem of fixed and variable costs associated with operations of the various licensing boards. Once these expenses have been identified and documented, fees should be revised to recover expenditures. Implementation should provide an annual income estimated at $353,000.

Implementation Strategy: The analysts should be able to provide necessary data within two months. The bureau's commissioner should then develop appropriate legislation on fee levels for submission to the Governor and the General Assembly.

320. Require that travel expenditures be justified.

On an annual basis, the state expends approximately $14.3-million on travel. As there is no requirement for financial justification, the approved budget allocation is an automatic authority to spend the funds. Agency comptrollers indicate that travel abuses are prevalent.

Proposed Approach: Justification for travel should be provided for approval by a department head before any trips are authorized. Also, transportation arrangements and hotel reservations should be made through the Commonwealth Travel Agency to take advantage of group discounts and special rates. Travel would not be discouraged, but potential benefits would have to be shown to justify it. Substantial savings could be achieved, but no specific amount is claimed.

Implementation Strategy: This proposal should be put into effect through an executive order from the Governor. It would be implemented by the various agencies and the Office of the Budget.

321. Document detailed office budget procedures in the Office of the Budget.

There is a need to have detailed, documented budget procedures available for both intra and interoffice responsibilities, actions and training. A manual for intraoffice use was begun nearly two years ago, but is still incomplete. Detailed instructions to state agencies for planning and budgeting have never been published. The target date is July 1, 1976.

Proposed Approach: A professional in the Budget Analysis Division should be assigned to complete work on the intraoffice policy/procedures manual. When completed, the information should be presented in a series of meetings to professional staff in the Office of the Budget. Steps should also be taken to ensure that the detailed instructions will be ready as scheduled.

Implementation Strategy: The budget secretary and his assistant must ensure that the division chiefs in Budget Analysis and Program Planning and Education accomplish these projects.

322. Establish and implement an effective budget preparation schedule.

Although a basic budget preparation cycle exists, it is not adhered to because of various external factors. For example, early or late enactment of a current budget by the General Assembly, financial crises or a change in state administration can have an adverse effect on budget development activities for the subsequent fiscal year. Late preparation of the Program Planning Guide by the Office of the Budget makes it difficult for agencies to meet schedules, resulting in overtime or missed dates.

Proposed Approach: To remedy the problem, a detailed calendar of budget events and dates should be prepared as an attachment to the Program Planning Guide. All agencies should be informed of the proposed schedule well in advance by a separate letter from the Office of the Budget. Events to be scheduled would include publication of the Program Planning Guide, instructions for preparing agency operating and capital budget requests, guidelines for agencies for planning and budgeting, budget and rebudget submission dates and preliminary reviews by the Office of the Budget. This would be followed by subsequent review at the agency level, approval by the Governor, submission to the General Assembly, hearing dates and fiscal year dates. Implementation could save $10,000 annually by reducing overtime requirements for budget preparation activities.

Implementation Strategy: A separate letter and the attachment to the Program Planning Guide should be prepared by the Office of the Budget for inclusion in the fiscal 1977 guide.

323. Improve internal budget procedures for the Office of the Budget.

The operating budget for this office is handled by the assistant to the budget secretary and his administrative officer. Monitoring is done by a budget analyst in the Budget Analysis Division. However, adequate data are not developed to hold division chiefs accountable for their cost results. Some are not even aware of their authorized staff complements or spending levels. In addition, there is no standard procedure in use regarding budget development.

Proposed Approach: The monitoring activity of the budget analyst should be eliminated. Budget preparation responsiblity should rest solely with the assistant to the secretary and his administrative officer. Each division chief should prepare a budget estimate for his area includ-

ing staff levels, salaries and miscellaneous expenses. They would then be held accountable for keeping expenditures within approved limits. A standard operating procedure should be developed to cover areas of responsibility, approval requirements, schedules and methods for budget preparation, monthly progress comparisons and related budget activities.

Implementation Strategy: The budget secretary should approve the change in policy and assign responsibility for the development of standard operating procedures. A meeting should be held to explain the changes to the division chiefs.

324. Improve the efficiency of the state's payroll and personnel systems.

The present payroll and personnel systems are unnecessarily complicated. Salaried employees are paid on a current basis, resulting in numerous adjustments and supplemental payrolls. Approximately 250,000 refunds and supplemental paychecks must be processed annually because of existing procedures. Employee time records are kept manually and there is a lack of uniform administrative procedures in regard to various types of paid leave. As many as a dozen forms are required to process a routine payroll. There is little automated interacation between the personnel and payroll systems, resulting in duplicated and redundant processing and verification. In addition, payroll checks and stubs are prepared separately, necessitating a manual matching of 120,000 checks and stubs each pay period.

Proposed Approach: Several steps should be taken to increase the efficiency of these two systems:

- Salaried employees should be paid on an after-the-fact basis to eliminate adjustments and supplemental payrolls.
- All leave records should be computerized and timekeeping functions consolidated in each cost center.
- The automated personnel and payroll systems should be integrated to eliminate redundant transcription of data and excess verification. CMIC should develop the necessary software and remote terminals should be installed in each comptroller's payroll office.
- The requirements of individual personnel and payroll offices should be reviewed to eliminate unnecessary procedures and systems.
- Paper payroll checks and stubs should be printed in one location by CMIC to eliminate manual matching.

Implementation of the necessary computer applications will require a one-time expenditure of $320,000 and an annual maintenance cost of $41,000. However, the reduction in overall work loads and elimination of excess timekeepers and clerical personnel on a statewide basis will provide a potential annual saving of approximately $10.7-million.

Implementation Strategy: Following approval by the Governor's Executive Board, the secretary, Office of Administration, should designate a task force to develop plans, coordinate activities and implement actions to achieve the proposed benefits. A time schedule should be developed and met. After a three-month planning period, changes should be in progress within six months and the program completed in approximately one year. Agencies not under the Governor's jurisdiction should be invited to participate in the centralized system.

INVESTMENTS

Pennsylvania has approximately 70 separate funds in seven categories with approximately $5-billion invested. The first category is the general fund with assets of $117-million. Investment control is vested with the state treasurer. Next are the 24 special revenue funds totaling $273-million, each controlled by an investment committee reporting to the secretary, Office of Administration. Actual investment (with few exceptions) is through the state treasurer. Also, there are 22 trust and agency funds with assets of $4.4-billion under the control of independent boards reporting to various department secretaries. These independent boards exercise investment control through finance committees. They rely on the state treasurer for advice, but occasionally employ outside financial consultants. The remaining four categories — working capital, bonds, sinking funds and enterprise funds — are established under specific laws and have assets of $340-million. The largest funds are the $2.9-billion in the School Employees' Retirement Fund and the $1.4-billion which comprises the State Employees' Retirement Fund.

RECOMMENDATIONS

325. Establish a position of investment advisor in the Office of Administration.

At present, there is almost total reliance on the state treasurer for investment decisions and all funds suffer from some degree of deficiency in investment management. Except for the School Employees' Retirement Fund, no attempt is made to measure the performance of the various money managers. In addition, there is no established policy to guide investment decisions in light of

market trends and economic conditions. The practice of "buy and hold" results in lost additional income to the state.

Proposed Approach: The proposed investment advisor would oversee the management of government bonds and other short-term investment portfolios. He would assist in the selection and evaluation of the money managers for all state funds. This person would also be responsible for obtaining private sector advice on asset allocation to determine the best mix of bond, bank, mortgage and stock investments based on economic conditions.

The advisor should be a specialist with experience in most of the investment instruments available for the state's funds, particularly fixed income securities. Private sector expertise should be obtained as needed on a contractual basis and the cost absorbed by those funds most in need of advice. Implementation would require an annual expenditure of $75,000 for the advisor and an adequate statistical and clerical support staff. This amount would be more than offset by the potential benefits to be achieved by improved fund performance.

Implementation Strategy: At the Governor's direction, the proposed investment advisor should have wide authority to provide investment advice to all funds and should serve as a member of all boards and financial committees where his advice would be appropriate.

326. Combine the cash in designated funds for investment purposes under the guidance of two financial managers.

The state maintains more than $38-million in various bank accounts. Although interest is earned on some of these balances, the return is far less than for other types of investments. Effective cash management could reduce the excess funds in these accounts and substantially increase the return to the state. Special revenue funds alone account for $7-million in deposits much of which could be invested in alternative short-term investments earning a higher rate of return.

Proposed Approach: Although fund identities must be preserved, it should be possible to combine the cash for investment purposes. This could be done if the funds were adequately secured, clear audit trails were established, earnings for each fund were individually computed, credited and recorded, and receipts, disbursements and transfers were processed through separate bookkeeping accounts. As a start, the assets in the special revenue funds, some $273-million, should be consolidated and the resulting asset pool divided between two financial managers selected by the proposed investment advisor. Establishing two managers will diversify the source of investments advice, reduce the risk of error and establish a basis for performance comparisons. The annual cost of implementation is estimated at $200,000. However, an aggressive program of short-term investment for the assets of the special revenue funds should increase the state's annual return by $785,000.

Implementation Strategy: The Governor should issue an executive order authorizing the consolidated use of special revenue funds for investment purposes. The Bureau of Financial Management should establish procedures for maintaining fund identities. The investment advisor should select two appropriate financial managers.

327. Obtain diversified advice on stock, bond and mortgage investments for the state's two major retirement funds.

Approximately $3.2-billion of the $4.3-billion in the School and State Employees' Retirement Funds are invested in corporate bonds under the guidance of a single manager. Such reliance places an excessive burden of responsibility on one advisor and increases the possibility of investment error. Furthermore, this practice makes it difficult to achieve objective performance appraisals.

Proposed Approach: The money management activities of the two funds should be divided with each having at least two mortgage portfolio managers, two for common stocks and one bond manager for every $700-million in bond assets. Candidates should be sought from as extensive an area as possible with the assistance of the proposed investment advisor. The managers should be selected and in control of their portfolios for three years or one full business cycle. During this period, and on a continuing basis thereafter, an annual performance appraisal should be conducted to compare results between the selected managers and other managers giving advice to similar funds. Those selected managers whose performance is less than satisfactory should be replaced. Although the annual cost is estimated at about $2-million for properly diversified investment advice, the potential return is of far greater significance. Considering only the bond portion of the portfolios — $3.3-billion — a very small percentage yield improvement could amount to a substantial income improvement to the funds.

For example, the five-year (1970-1974) cumulative return on a representative AA rated unmanaged bond portfolio is 35.9%. The mean cumulative return on 100 managed bond portfolios for the same time period is 38.9% — a total improvement of 3% over five years. On bond portfolios totaling $3.3-billion, the improvement over five years would be $99-million, or an average of about $20-million annually.

Of course, the current bond portfolios are managed. However, competition between managers could improve

the current situation by perhaps one quarter of the difference between the unmanaged index and the mean cumulative return. If this difference is possible to attain, the improved return to the funds on the bond portion alone could be $5-million per year.

Implementation Strategy: As a member of the finance committees of all funds, the investment advisor should assist in the selection of appropriate managers and should appraise the results achieved.

328. Establish professional performance measurements for the retirement funds.

A periodic composition and yield report is prepared for the two state retirement funds. Comparisons are made with the corresponding periods of the previous year. However, common stocks are reported at cost while mortgages and bonds are carried at par value. It would be more appropriate to indicate the market values of all assets and to compute yields at these levels. The concept of reporting returns should include gains, losses, interest and dividends on a time-weighted basis.

Proposed Approach: Each fund should let contracts for quarterly risk-adjusted, time-weighted rates of return analysis. These professional evaluations would show the performance of each stock, bond and mortgage manager using current market values with gains and losses as well as interest and dividend income included in the reports. A time-weighted rate of return should be utilized to provide an equitable comparison of one manager's performance against another's. Common stock portfolios should be examined on a risk-adjusted basis to determine if the managers are staying within policy guidelines. The estimated annual cost would be approximately $160,000. However, implementation will provide the trustees with an accurate measure of performance and will enable them to evaluate the professional capability of the respective managers. Again, the potential gains will more than offset the expenditure.

Implementation Strategy: The investment advisor should recommend appropriate professional sources for the necessary studies. Results should be discussed with fund managers on a quarterly basis.

329. Contract annually for professional advice on the best potential allocation of assets to be invested in stocks, bonds, mortgages and other available investments.

The state does not have sufficient investment expertise to determine an optimum mix between competing investments. It also lacks the necessary economic forecasts on which to base such decisions. This type of information should be made available in regard to the investment of all state funds to increase overall returns.

Proposed Approach: Private sector consultants and graduate schools of business should be utilized on a contract basis to provide the necessary forecasting and advice. Quarterly reports should be available for an annual cost of approximately $25,000. A judicious mix of investments should improve overall yields by at least ⅛% on 10% of the state's investment funds of $800-million. This would provide an annual increase in income of $100,000 for a net benefit of $75,000.

Implementation Strategy: The investment advisor should contract with appropriate sources to provide quarterly evaluations of the percentage of available funds which should be invested in the various media. Recommendations should be circulated to all fund managers including the state treasurer.

DATA PROCESSING

Development and coordination of statewide and interagency EDP activities are the responsibility of the secretary, Office of Administration. The activities are channeled through the Bureau of Management Services and two computer facilities — the Central Management Information Center (CMIC) and the Health-Education Management Information Center (HEMIC).

The bureau evaluates and approves all data processing equipment and vendor service contract purchases under the Governor's jurisdiction. It also provides technical support in the areas of telecommunications, automatic data processing, records, reports and statistics. In addition, the bureau conducts management improvement and organizational studies designed to solve agency and interagency problems. There are 62 employees in the bureau and the operating budget for fiscal 1975 was almost $1.2-million.

CMIC maintains centralized information systems which support mandated functions of the Office of Administration and provides EDP services to other agencies upon request. The centralized systems include payroll, retirement, personnel, program planning, budget and financial management. There are 117 employees and the fiscal 1975 budget was $4.16-million.

HEMIC provides computer operational support to the Departments of Health, Education and Environmental Resources. These organizations supply their own systems analysis and computer programming. HEMIC personnel total 20. The fiscal 1975 budget was $724,000. Although the intent was to provide centralized data processing capabilities and coordination through the Bureau of

Management Services and the two centers, this objective has not been realized. Instead, most agencies have chosen to develop their own EDP resources, resulting in fragmented operations and duplicated equipment, personnel and expenditures.

RECOMMENDATIONS

330. Consolidate selected EDP functions.

Most major departments in the Executive Branch have their own data processing installations. Each has administrative, operator and clerical personnel for computer operations as well as data entry, control and clerical service functions. They also include systems analysis, design and programming activities. The primary advantage of these diverse installations is the using department's ability to meet its specific needs. However, based on statistical information supplied by the Bureau of Management Services, the $36-million currently expended for these operations can be expected to increase to $108-million by fiscal 1984, if the present approach is perpetuated. Other expenses — utilities, space, area maintenance services and the like — are not included in this projection.

Proposed Approach: Many economies can be achieved by consolidating EDP installations. Duplicate equipment costs can be eliminated and larger capabilities justified by combining requirements and budgets of several areas. Personnel reductions can also be achieved and a higher level of professionalism as well as enhanced information systems provided. Colleges and the State Police are excluded from this recommendation.

To achieve these benefits, a Data Processing Division should be established within the Office of Administration. It would be headed by a deputy secretary and would provide two major EDP centers for Executive Branch use. In addition to directors for each center, there would be a third director in charge of systems and programming activities. The new organization would be responsible for providing processing, systems analysis, design and programming as well as consulting services to designated departments in the Executive Branch.

With a centralized function, the state can staff the division with the most qualified personnel currently available in various department operations. It will be a joint responsibility of the user departments and the Data Processing Division to establish communication channels to ensure that EDP requirements are met with optimum results. It is anticipated that the division will administer two major data processing centers. The first will be an installation in the building which now houses the PennDOT facility. The center for the Department of Labor and Industry should be initially administered with the PennDOT facility and physically combined at a later date. The second center would be an expansion of the CMIC installation in Middletown.

Several advantages are envisioned by implementing this approach:

- Management and operation of all EDP equipment would be transferred to a single organization to provide improved control and utilization.
- Equipment would be consolidated in two locations and terminals provided where necessary to establish communications links between user departments and the centers. This will allow the state to upgrade equipment and eliminate outdated facilities.
- Consulting and advisory functions now assigned to the Bureau of Management Services will be expanded through creation of a Bureau of Systems and Programming in the Data Processing Division. The bureau staff would be responsible for providing systems and programming support, establishing programming standards, documentation requirements and security procedures.
- The state will benefit from the establishment of a reliable, responsive data processing environment. The cost of current operations will be superseded by a less expensive consolidated effort. Anticipated decreases in operating and personnel expenditures will provide a net annual saving of approximately $3.25-million.

Implementation Strategy: The Governor should issue an executive order authorizing the establishment of the proposed division. He and the members of his cabinet should develop a plan to implement the required activities and consolidate EDP operations of designated Executive Branch departments. The highest priority should be given to the administrative consolidation of all data processing personnel and the establishment of the two centers.

331. Expand EDP position definitions and salary ranges to more competitive levels.

The state suffers from a significant turnover in trained EDP systems and programming specialists. Approximately $7,000 per employee is spent in supplemental training for positions which require between two and five years' on-the-job experience to become fully productive. However, the existing low salary scale and restrictive position structure encourage many trained specialists to leave state employment just at the point when they are potentially most valuable.

Proposed Approach: The state should meet competition from industry by establishing certain positions with salary ranges which will attract and retain personnel with specialized EDP skills. While this would elevate direct

personnel costs, it can be justified on the basis of improved efficiency, reduced training expense and greater employment continuity.

Implementation Strategy: A review of salary ranges should be conducted to identify positions where high turnover results because of noncompetitive salaries for trained personnel and adjustments made. This would be the responsibility of the office of Administration.

332. Provide on-line program documentation, maintenance and compilation/execution for major computer systems.

More than 60% of most EDP budgets is spent on costs other than hardware. Thus, the productivity of analysis and programming staffs becomes a major factor in reducing expenditures and bringing needed applications on line as early as possible.

Unfortunately, personnel face several problems in attempting to install new applications or maintain existing ones. These include inadequate test time, input/output constraints which slow program compilations, retrieval difficulty in regard to documentation, slow preparation and excessive manual debugging. All of these factors have an adverse effect on overall productivity.

Proposed Approach: Installing teleprocessing techniques on major computer systems would help programmers and analysts maximize productivity. Through the use of terminals and on-line storage, programmers and analysts could:

- Turn around compilations immediately.
- Debug the programs during compilation instead of manually.
- Address procedure libraries collectively instead of by individual program.
- Access and maintain source code and documentation data more rapidly.
- Permit remote program development by user groups.

CMIC has used this tool effectively and experienced considerable savings in personnel time. Based on their results, an improvement of 20% in productivity can be anticipated for programmers, 5% for analysts. The anticipated annual saving would amount to $477,000 in state and $37,000 in federal funds. There would be a one-time expenditure of $103,000 in state and $48,000 in federal funds.

Implementation Strategy: Under the guidance of the Commonwealth Data Processing Managers Committee, needs should be identified, guidelines for use established and training requirements met.

333. Implement a short-term management project to provide better service to the licensing boards.

The Bureau of Professional and Occupational Affairs of the Department of State performs administrative services for 21 licensing boards. However, existing manual systems are slow, expensive and do not meet the requirements of the boards. A recommendation has been made to improve overall operations by separating activities into related functional areas. Before this can be accomplished, however, a study should be conducted to identify the work flow and suggest improvements.

Proposed Approach: As part of an overall reorganization, the bureau intends to computerize its information activities to provide fast, efficient data access. Before this is done, a short-term management analysis project should be implemented. The objectives would be to:

- Survey and improve the present information flow environment.
- Identify all interfaces between computer users.
- Provide effective procedures to achieve the proposed functionalization of activities.

To accomplish this proposed study, three management analysts from the Bureau of Management Services should be assigned to Professional and Occupational Affairs for one year to perform short- and long-range planning. One of the analysts should be retained on the project for an additional year. Implementation will require a one-time expenditure of $115,000 for the analysts and related program development. The annual savings through improved service and reduced personnel requirements are estimated at $101,000.

Implementation Strategy: The two bureau directors should establish a team of analysts to identify data base requirements and establish uniform standards and procedures. They would supervise the implementation of approved systems as well as document long-range plans for the development of future activities.

LIQUOR CONTROL BOARD

This board is responsible for licensing and control activities under Pennsylvania's liquor laws and regulations. Three members are appointed by the Governor for six-year terms. The board operates some 750 retail outlets and five distribution warehouses. It employes 4,650 people and made a profit of $46-million on sales of

$535-million in fiscal 1975. There are 23,000 licenses and 89,000 special permits outstanding. About 1,650 citations are issued each year for violations of laws and regulations. The board works with The Department of Justice to enforce compliance with the state's liquor laws and regulations.

RECOMMENDATIONS

334. Reduce staff levels at state stores.

There are approximately 1,700 clerks and 1,500 managers in the 755 state stores. This staffing level is excessive particularly the ratio of managers to clerks. An existing personnel formula calls for the handling of 150 bottles per day per clerk. This includes receipt, handling and sale.

Proposed Approach: A manning study should be conducted to establish optimum staffing levels at the various store locations. If performed in-house, the one-time cost of this evaluation would be approximately $10,000. A reduction of 5% in overall staff would provide an annual saving of $1.6-million.

Implementation Strategy: The board proposal to reduce manager levels to one per store should be implemented. Arrangements should also be made for an overall manning evaluation.

335. Reduce staff levels in bureaus other than State Stores.

Most of the board's operating bureaus have made attempts to reduce personnel levels. Since 1970, an overall decrease of 11.5% has been achieved. However, excess personnel are still in evidence.

Proposed Approach: The board should authorize a professional study of all bureau operations to determine required staffing levels. This review should include sampling techniques to determine peak work periods and optimum manning patterns. The one-time cost of the proposed evaluation could be as low as $50,000. However, a conservative estimate of a 2% staff reduction would provide an annual saving of $260,000. Within the last two years, an analysis of the Stores System Records Section produced a 15% decrease in personnel.

Implementation Strategy: The board should arrange for a professional staffing survey. Bureau chiefs should participate in planning the review and should be committed to implementing the results.

336. Increase license and special permit fees.

The revenue derived from these activities is not sufficient to recover the cost of licensing and enforcement. Operating expenses in fiscal 1974 totaled $9-million while fees amounted to only $3-million. Current rates have been unchanged for 20 years.

Proposed Approach: Legislation should be proposed to increase filing fees by approximately 150% — from $20 to $50. Special permit fees should be increased proportionately. The additional income would be $1-million annually.

Implementation Strategy: The executive director should prepare an amendment for the board's approval. It should then be sent to the Governor's legislative assistant for submission to the General Assembly. Statistics supporting the request should accompany the proposed legislation.

337. Establish transfer taxes based on the sale price of a retail liquor license.

Anyone who wishes to obtain a liquor license must buy an existing one from a person going out of business. When a request for a transfer is received, the Liquor Control Board must conduct a thorough investigation of the prospective buyer. The current fee of $20 is totally inadequate to recover operating expenses.

Proposed Approach: A tax should be imposed for such transfers similar to the real estate property transfer tax. The amount would be assessed by the state — possibly a minimum of $200 or 2% of the license sale price whichever is greater. Anticipated minimum revenue based on 1,500 transfers would be $300,000 per year.

Implementation Strategy: The director, Bureau of Licensing, should determine average processing costs. Based on these data, the board should establish a minimum tax and an appropriate rate to apply to sales at higher prices. Enabling legislation should be prepared and submitted to the Governor's Office for presentation to the General Assembly. Supporting documentation must be provided with the amendment.

338. Eliminate subwarehouse operations.

State stores are permitted to order liquor and wine in less-than-case quantities. However, contract warehouse operators are only paid for handling full cases. Therefore, orders for less than a case are separated and sent to a subwarehouse to be filled. The order is then returned to the contract operator for delivery. The cost of this additional operation is $720,000 annually.

Proposed Approach: State stores should be required to order in case lots only. This will eliminate the need for the five subwarehouses. In order to avoid excessive inventories, a single store located near five or six other outlets should be designated to carry an appropriately inclusive inventory. The satellite stores would stock only the more popular items. Requests for other merchandise could be referred to the main store or picked up for the customer

within a day or two. Satellite stores would only have to stock about 800 of the 2,300 items offered for sale. Implementation would provide an annual saving of $720,000 in personnel and operating costs.

Implementation Strategy: A study should be authorized by the director, Bureau of State Stores, to determine logical key outlets and appropriate satellites. Simple procedures should be developed to track inventory movements and keep the public informed of the new sales policy. Ordering guidelines should also be prepared for the stores and present warehouse inventories dispersed to larger retail outlets. Subwarehouse personnel should be reassigned whenever possible.

339. Eliminate bottle reclaiming operations.

Bottles with stained labels are considered unsalable and transferred to special sections of the subwarehouses at Philadelphia, Pittsburgh and Kingston. Here, the bottles are washed by hand and relabeled. In Philadelphia alone, this practice requires a staff of eight.

Proposed Approach: The reclaiming function should be eliminated and damaged bottles offered at a discount of at least $16^2/_3$% to licensees or through self-service stores. The sale would cover normal handling costs and the entire expenditure for the bottle reclaiming operation would be eliminated. The annual saving would be approximately $100,000.

Implementation Strategy: The director, Bureau of Liquor Purchases, should notify suppliers that damaged merchandise will be refused. Goods damaged in the warehouse should be segregated and offered to retail outlets at a discount. Personnel from the reclaiming operation should be assigned to vacant positions or terminated.

340. Require licensees to purchase liquor in full case lots from wholesale-only stores.

The board operates wholesale-only outlets in Philadelphia and Pittsburgh for the convenience of licensees. They may order any quantity of liquor providing the total cost is $15 or more at a $16^2/_3$% discount. Filling orders for less than a case requires a staff of five people.

Proposed Approach: Licensees should be required to order case quantities only. This would eliminate the bottle picking and repacking operation. Implementation would provide an annual saving of $50,000 by reducing staff requirements.

Implementation Strategy: The board should issue a regulation restricting purchases from wholesale-only stores to full cases. Licensees should be instructed regarding this change.

SECTION VI

Physical Resources

The Governor's Review – 1975

PHYSICAL RESOURCES

The physical resources team was responsible for reviewing the basic operating functions of the state. In this regard, the team members were chosen for their expertise in various operational specialties. Major emphasis was given to the Department of Property and Supplies which is in the process of being reorganized as the Department of General Services. This organization provides essential operating services to the various departments, agencies, boards and commissions in state government. Functions include facility engineering and construction, building operation and maintenance, insurance management, real estate and space requirements, purchasing, security, traffic control and motor vehicle management. Other areas of study included the Department of Transportation, State Police, office systems and food service management.

Review efforts were concentrated at the bureau level in the various organizations. An attempt was made to identify areas of work duplication, inefficient procedures, poor management, ineffective use of facilities and the like. Findings were discussed with bureau managers and many recommendations for improvement resulted from these meetings.

Major study areas, such as purchasing and motor vehicle management, had been previously evaluated by other groups. However, many of the recommendations for change have not been implemented. Therefore, the team members felt it necessary to address the problems underlying the lack of implementation activity as well as the specific operational areas. Functional reviews required visits to a variety of health and educational institutions as well as county garages under the jurisdiction of the Department of Transportation.

The proposals presented in this report reflect normal industry practices which can be used to improve the overall effectiveness of government operations. In some cases, the recommendations are conceptual in nature and provide only broad guidelines to be used in making specific operational improvements. In regard to real estate and space management, it is felt that the state should initiate a program to identify excess land resources and to liquidate them as a means of increasing revenue. However, under no circumstances should the benefits realized from such sales be used to cover current operating expenses. An area which has considerable potential for development is the identification of the state's mineral resources, followed by a well-conceived program to develop these assets in an effective manner.

In general, team members felt that there are many well-qualified, dedicated people in state government. However, their efforts at improvement are being frustrated by the bureaucratic atmosphere and unnecessarily detailed legislative regulations. If fully implemented, the proposals presented here should improve state operations significantly. Further benefits can only be realized if overall management of the commonwealth's activities is streamlined through extensive redrafting of regulatory legislation accompanied by some reorganization of top management responsibilities.

DEPARTMENT OF PROPERTY AND SUPPLIES

Property and Supplies administers the leasing, purchasing, transportation, construction and maintenance services for all state agencies. Responsibilities encompass management of the vehicle fleet, development of specifications and purchasing of all materials, equipment and supplies used in conducting state business. It also acts as the state's real estate agent, maintains state buildings and grounds and determines policy placement for state insurance needs. The department has 1,715 employees. Its operating budget was $31.9-million for fiscal 1975.

RECOMMENDATIONS

341. Establish a centralized building construction function in the new Department of General Services.

The state's building construction program has been plagued with duplication and ineffectiveness due in part to the overlapping responsibilities of the General State Authority (GSA) and the Bureau of Engineering Construction (BEC). Major problems have resulted:

- Delays in coordinating project execution allowed progressing inflation to add an estimated 10% to 20% to total costs.
- Inadequate control over contract architects and engineers caused some cases of poor design.
- Coordination and control problems were due partially to lack of a single project manager responsible for all phases of execution.
- Effective design and construction have been hindered by failure to adopt modern techniques and standards.
- Duplicate review and approval by GSA and BEC was time-consuming and costly, and often produced unsatisfactory compromises.

- Designation of an executing agency (GSA or BEC) by the funding source resulted in misuse of professional talents and created a peak load problem for BEC due to the lapsing funds feature of the operating budget.
- Lack of a single contract option forced GSA field inspectors to perform overall coordination of numerous prime contractors on every project.
- Administrative functions of GSA duplicated those existing in Property and Supplies.
- Fragmented responsibilities of GSA and BEC compounded problems in planning an efficient statewide building program.

Proposed Approach: Recent legislation merging GSA and the Department of Property and Supplies into a new Department of General Services (DGS) provides a vehicle for improving the program but does not spell out fundamentals of organization, policies and procedures needed to centralize the building construction function.

Basically, building construction must be recognized for its importance and not be diluted by inclusion with other department activities. Therefore, a separate organization should be established with a deputy secretary exclusively for this function. In structuring this organization, care should be taken to avoid top-heavy bureaucracy and duplication of nontechnical administrative functions available elsewhere in DGS.

The organization would be responsible for complete execution of all state construction projects costing more than $25,000, except highway facilities, public school buildings or environmental projects. Basic planning, project scope and cost estimation should be vested in the client agencies where needs are known.

However, their architectural and engineering staffs should be held to a minimum. DGS should contain limited capability to provide planning services to smaller agencies. Existing project coordination and control by the Budget Office via the revolving five-year capital budget should be maintained. Building construction should be organized as follows:

- Design Bureau — Architects, engineers and draftsmen would provide in-house work as well as review and approval of contract design. There must be adequate staff to handle the base load of repair and minor construction projects. As a guide to be modified by experience, projects costing less than $100,000 would be designed in-house; those requiring more than $500,000 would be designed by contract firms; and intermediate projects would be assigned based on complexity and the current work load.
- Construction Bureau — Inspection and clerical staff in district offices would handle field work during construction. In addition, a small central staff would be required. Offices should be headed by professionals with a working knowledge of project execution. Field inspectors, mainly generalists, should be numerous enough to handle the base load. They could be supplemented with contract personnel as needed.
- Project Management Bureau — A select group of professionals would take individual responsibility for coordination of DGS activities and liaison with client agencies throughout the life of a project. Project managers would not be assigned to minor projects; a breakpoint of $100,000 is suggested. Each manager would normally handle more than one intermediate-size project. Only multimillion-dollar projects would justify assignment of a full-time manager and the most complex a subordinate manager. During peak loads, employees could be temporarily transferred from other bureaus and replaced by contract personnel.
- Technical Services Bureau — A small diversified technical staff would support DGS and client agencies with planning, design and construction standards, testing laboratories, outside advisory services, project control systems and technical programs.
- Administrative Services Bureau — A central staff would perform nontechnical support services which cannot be provided by other DGS units.
- Architects/Engineers Selection Committee — Legislation to centralize building construction within DGS provides that five private individuals would be designated to select contract firms.
- Contract Documents Committee — A three- to five-member group representing contractor groups would advise on documents as legislation provides.

The establishment of a unified building construction organization under a project management concept, as outlined here, will eliminate the delays and redundancies which have increased costs 10% to 20%. Based on annual state construction expenditures of $100- to $200-million, this improved efficiency will result in an annual cost avoidance conservatively projected at $10-million.

Implementation Strategy: The bill creating DGS provides the basis for implementing the consolidation of the building construction function into a single unit. Other pertinent features of the legislation include establishment of the unit's adjunct committees and retention of all existing personnel. Although this retention requirement will produce duplication problems, attrition should provide relief

relatively soon based on the large number of employees with advanced seniority. But the major personnel factor bearing on implementation efforts concerns top management. A deputy secretary must be designated exclusively for building construction. He and the selected bureau directors must work out organizational, procedural and policy details, aided by this recommendation's guidelines. An additional aspect of implementation is the early and thorough establishment of firm lines of communication with other state agencies or departments, particularly prime clients such as Welfare and Education.

342. Expand the authority of the proposed building construction organization in the Department of General Services in regard to public schools.

The state spends approximately $150-million annually for public school construction. Basic control for these projects is vested with local school authorities or the State Public School Building Authority. The Division of Physical Plant and Construction in the Department of Education provides guidance and attempts to ensure that certain minimum standards are met. However, the division does not have sufficient staff to perform on-site inspections. The Governor's Review — 1972 recommended the use of several construction techniques to reduce state funding requirements. The proposal projected an annual cost avoidance of approximately $40-million. This projection is considered to be still valid. Benefits would be realized through the use of the following construction techniques:

- Building systems design concepts: Use of low-cost, mass-produced building components.
- Fast-track planning: A telescoping of the design and construction process.
- Aggregate statewide bidding: Purchasing materials for school construction on a volume basis.

While these techniques are feasible, they require an established engineering organization to promulgate and implement such concepts. A building construction organization has been proposed as part of the new Department of General Services discussed elsewhere in this report. It is felt this organization would be a logical choice to implement new techniques to reduce the cost of public school construction.

Proposed Approach: The Department of General Services should provide a central source of building expertise for the state. Its proposed responsibilities should be extended to include advisory services to local authorities on the design and construction of public schools. The selection of architects and contractors could be done locally, but the department should monitor all design and construction activities.

One of the functions which should be given priority would be the revision of existing engineering standards. Improved techniques and procedures should be made available to public construction projects as soon as they have been proven effective. Also, field inspections of school construction jobs should be a department responsibility. Implementation could be assigned to the existing force of district office inspectors in order to avoid costly staff duplications. The Division of Physical Plant and Construction in the Department of Education should continue to act as liaison and offer guidance to local school authorities in developing building programs. It would have responsibility for school projects during the planning phase while the Department of General Services would assume direction of the construction activities. Responsibility for design and compliance to established standards would remain with the architect selected by local school authorities.

The Bureau of Technical Services in the Department of General Services would be responsible for developing improved techniques and procedures. These should be made available for use in school construction projects as soon as they have been sufficiently tested.

Implementation Strategy: The secretary, Department of Education, should request legislation extending the responsibilities of the Department of General Services to public school construction. Firm executive support will be needed to promulgate use of improved techniques developed by the new department. Conformance to state regulations by local school authorities should be made a basis for continued state financial support.

343. Update engineering standards.

There is general agreement among state personnel that present engineering standards are badly outdated, resulting in unsatisfactory project execution. Costs for in-house updating and maintenance of standards are estimated at $100,000 initially and $20,000 per year thereafter.

Proposed Approach: To expedite the updating of engineering standards and simultaneously minimize costs, utilization of existing guidelines from leading industrial firms is recommended. Such data are readily available, seldom considered proprietary and, normally, are kept current.

Two updating approaches should be considered: review the standards of a limited number of leading firms and adopt the best individual system; or select the best features from various systems to formulate a new set of state standards. In either case, material must be screened to eliminate specifications that would favor individual manufacturers or contractors. To lessen potential favoritism, only national companies with minimal direct

dealings with the commonwealth should be surveyed. Such source companies customarily issue standards revisions to all interested parties. This method of attaining and maintaining engineering standards would avoid costs of about $100,000 one-time and $20,000 annually.

Implementation Strategy: Responsibility for updating standards should be assigned to the proposed Technical Services Bureau of the Department of General Services. One senior professional should handle the total program including liaison with state personnel, industrial firms, professional societies and federal agencies.

A control system must be established to ensure a thorough and orderly system of revisions. To that end, complete sets of standards should be held to a minimum with individual guidelines issued to architects, engineers and contractors on a job basis. Where complete sets are desired by outside firms, they should be provided at a fixed fee.

344. Improve the design criteria for state building construction projects.

User departments have expressed extreme dissatisfaction with the majority of recent completed state building projects. Complaints are prevalent in several areas. For example, basic designs do not satisfy required functions. Improper layout and grading of grounds result in surface water drainage into facilities. Heating and environmental control equipment causes excessive operating costs and wasted energy. Designs do not lend themselves to economic maintenance and operating costs.

There are several factors which contribute to these design problems. The present fragmentation of responsibility results in at least five different groups participating in project design. This tends to produce compromises in order to accommodate varying viewpoints. The contract engineers and architects often lack necessary expertise while state personnel are hampered by outmoded standards and a reluctance to experiment with improved technology. Inadequate preparation regarding project scope and cost estimates by user departments may result in undesirable shortcuts to remain within budget. The overall effect has been to provide costly facilities which do not satisfy basic requirements.

Proposed Approach: Corrective action will require a coordinated program to implement improvements proposed elsewhere in the report. These include continual updating of engineering standards, improved definitions of project responsibilities and use of the project manager concept. Also, the recommended merger of the General State Authority and the Department of Property and Supplies will provide a centralized engineering organization, eliminating the present separation of responsiblity. However, the key factor will be a clear assignment of authority to the new organization for implementation of improved design standards and practices through effective utilization and direction of contract engineers and architects. The financial benefits to be obtained are great, but difficult to define.

Implementation Strategy: The secretary of the Department of General Services must take the lead in establishing and implementing agency and department responsibilities in regard to overall project execution. A system of interdepartmental engineering liaison should be developed to provide an effective exchange of information.

345. Improve the administrative procedures for all phases of capital building projects.

All areas of state government have expressed dissatisfaction with the costly and inefficient execution of capital building projects. Some of the complaints include:

- Misleading titles which do not describe the intent of the project accurately.
- Lack of firm financial data on the project justification form. Improved information is needed in regard to cost estimates and justification for such expenditures. Also, total costs for multi-phase programs are not provided.
- Inability of the Office of the Budget to act effectively as a fiscal control over projects because of insufficient information.
- Poorly defined areas of responsibility which result in gaps and duplications in the management of various elements of the project.
- Authorization of marginal or unnecessary facilities at the expense of more justifiable programs because of these procedural deficiencies.

Proposed Approach: The key to improving procedures is to upgrade the existing project justification form and clarify responsibilities of the agencies involved. This should provide more meaningful evaluations and streamline the decision-making process.

The requesting agency should prepare the project justification form and submit it to the Office of the Budget for consideration. The form should be limited to a single standard sheet showing the following information: location, department and date; short, descriptive title to be used in EDP printout; cost estimate reliable to within 25% with basis for calculations; concise description of proposed project and its benefits; and pertinent comments on time requirements.

Once the forms have been received, the Office of the Budget will review total requests with appropriate agen-

cies and prepare a capital budget commensurate with available resources. Rejected requests will be returned to the agencies for resubmission in the next capital program. When funding has been provided by the General Assembly, the requesting agency will prepare a detailed description of the project and submit it to the Department of General Services. This should be done within 30 days. The department will be responsible for determining whether to execute the necessary designs in-house or contract them to an architect/engineer. If cost estimates exceed appropriations, the department will work with the Office of the Budget and the requesting agency to reduce costs or obtain additional financing.

Every quarter, the Department of General Services should prepare a report on the status of all projects authorized by the General Assembly. It should identify both original and revised cost estimates as well as reasons for any changes in scope, cost estimates or completion schedules.

Implementation of this procedure will provide a basic tool for effective evaluation and consideration of capital requests. While benefits should be significant, they cannot be quantified. No additional cost is anticipated.

Implementation Strategy: This proposal should be reviewed by the Office of the Budget, the Department of General Services and principal requesting agencies. Following approval by the Governor's Office, the administrative procedures should be acted upon by the Office of Administration.

346. Restructure the Bureau of Real Estate as a division reporting to the Bureau of Space and Facilities Management.

The primary function of the Bureau of Real Estate is to negotiate leases for the state. At present, there are approximately 2,000 leases outstanding worth approximately $25-million per year. However, there is no overall land and space management program to ensure that state-owned and leased facilities are being fully utilized.

The Bureau of Space and Facilities Management has undertaken a comprehensive computer program to identify and index state-owned and leased property. Unfortunately, a lack of coordination between the two bureaus has resulted in new leases being negotiated without taking into consideration available state space. The result has been unnecessary expenditures and underutilized facilities.

Proposed Approach: To carry out an effective land and space management program, all state-owned and leased property must be identified and programmed into the computer system. Restructuring the Bureau of Real Estate as a division reporting to Space and Facilities Management will provide uniform control of state properties. The Bureau of Space and Facilities Mangement will still be dependent on the various departments, boards and commissions to advise it when space becomes available. To ensure that computer data are as current as possible, one person should be designated in the proposed division to inspect all state land and space and update existing information. Based on a review of available space, full utilization of state properties could reduce current leasing costs by at least 20%, or $5-million annually.

Implementation Strategy: With the Governor's approval, the secretary, Department of Property and Supplies, should adopt a policy to give existing state space priority over additional leased property in filling requests for space. The director, Bureau of Space and Facilities Management, should develop procedures to compare requests with a computerized inventory of available facilities. Methods should be explored to eliminate as many leased properties as possible. This approach would include relocating operations in state-owned property whenever feasible. Quarterly reports should be prepared by the bureau to report the status in regard to meeting these objectives.

347. Establish a Real Estate Management Section within the Bureau of Real Estate.

Pennsylvania now owns approximately 3.5-million acres of real estate. However, this land has been accumulated by various departments and commissions without the benefit of clear administrative and planning policies. As a result, much of the property is poorly utilized.

Proposed Approach: To ensure centralized control of state land, a Real Estate Management Section should be established within the Bureau of Real Estate. The various departments and commissions should designate a representative to meet with section personnel on a regular basis. The purpose would be to develop goals and long-range plans for maximum utilization or profitable disposal of state-owned real estate. Lands not suitable for planned or projected needs should be released to the Department of Property and Supplies for sale or lease. Based on a sampling of underutilized property, the state could realize a one-time income of at least $28.9-million. Overall potential cannot be estimated from available data.

Implementation Strategy: The Governor should establish a policy for effective real estate utilization. Implementation would require the secretary, Department of Property and Supplies, to authorize the establishment of a Real Estate Management Section in the Bureau of Real Estate. At the request of the Governor, all agencies and departments which control state-owned real estate should designate a representative to meet with section personnel on a regular basis. Objectives and long-range plans should

be established for all state-owned real estate. Any proposed sales will require legislative approval.

348. Sell surplus land at the Philadelphia State Hospital for not less than the appraised value.

There are approximately 828 acres of surplus land at this hospital which have an appraised value of $35,000 per acre. Since the hospital has no foreseeable use for this land, it should be sold.

Proposed Approach: A land development firm should be retained to determine the best possible utilization of the property. As the surrounding area is commercial and industrial, the acreage might be offered for development as an industrial park. Implementation would provide a one-time income of at least $29-million. This income should not be utilized for current expenses.

Implementation Strategy: The Governor should direct the Department of Public Welfare to turn this surplus land over to the Department of Property and Supplies. The Bureau of Real Estate should engage a land development firm to recommend possible uses for the property. Once an appraisal has been completed, the land should be sold. The Governor and the two secretaries should meet with Senate representatives to gain legislative cooperation.

349. Eliminate the six field representatives in the Bureau of Real Estate.

Six of the bureau's 17 employees work in the field, negotiating leases outside of the Harrisburg area. Supervision of these representatives is difficult and it is doubtful that their activities constitute full-time employment.

Proposed Approach: All lease requirements outside of the Harrisburg area should be handled through local real estate agents and brokers. This should be done in coordination with local realty boards and lists of approved realtors should be compiled by the bureau. As requests for space are approved, the bureau would foreward specifications to those realtors who would prepare written proposals on suitable properties. A representative from the bureau and the requesting state agency could then inspect such facilities and negotiate leases. Improved scheduling would eliminate unnecessary travel when inspecting properties outside of Harrisburg. Implementation would save approximately $79,000 annually in salaries and expenses.

Implementation Strategy: With approval from the secretary, Department of Property and Supplies, the bureau director should terminate the six field representatives and centralize state lease activities within his organization. Use of properly designed forms and delegation of certain responsibilities to the administrative and office managers will permit the chief of the Leasing and Contracts Division to function as a field representative for Harrisburg. The proposed changes should be accomplished as quickly as possible.

350. Consolidate the Bureau of Management Services' Warehouse Division with the Bureau of Surplus Property.

The state is currently suffering from fragmented warehouse and storekeeping responsibilities. There is little coordination of material management. Within this department, there are two warehouse organizations — one under the Bureau of Management Services, one in Surplus Property. These operations are quite similar:

- Both distribute goods among state agencies.
- They are co-located and have nearly identical job classifications and material handling equipment.
- Each uses the correctional industries' vehicles for deliveries.
- Both are significant to any current material management efforts.

The present splintering of warehouse responsibilities causes organizational confusion and duplication of effort, thereby frustrating establishment of a total material management system. That goal is further hampered because the Bureau of Purchases, which can best analyze what commodities to warehouse, has no formal input on warehousing decisions. Warehouse inventories, geographic distribution and department use patterns should trigger certain purchasing decisions, but there is no routine feedback of such information. No one collects data on miscellaneous or field limited purchase orders under $300. There is no analytical comparison between what is being declared surplus or unserviceable, and what is being ordered new. The bureaus operate as if independent rather than interrelated.

Proposed Approach: Many of the problems resulting from disparate warehousing functions can be solved by transferring the Management Services Warehouse Division into Surplus Property. This will establish the basis for centralized management responsibility, authority and accountability. It will also facilitate the development of procedures for regular consultation and data exchanges between the Bureau of Purchases and the warehouse operation. This is essential to creation of a successful material management system.

Under this proposed consolidation of warehouse functions, the total personnel complement would report to a common office, thereby requiring less supervision and clerical help. The current combined manpower of 23 could be cut by one warehouse superintendent and three clerks, for a total annual saving of $44,000.

These proposed changes set an example for combining warehouses across the state, wherever economical and efficient consolidation is feasible.

Implementation Strategy: The department secretary should issue a statement defining the need for streamlining the material management process and how consolidating warehouse operations will accomplish that. It should outline the changes to take place and the responsibilities of each operating group. The statement should also establish a timetable for the changes.

An implementation committee consisting of the two deputy secretaries plus a person designated by the secretary to act as coordinator should be established. This committee should be abolished when the organizational changes are complete. Some of the committee functions would be:

- Develop a checklist of actions to be achieved.
- Survey warehouse layout and define office and shop needs.
- Develop a training program to explain to employees the value of improved material management.

351. Eliminate three positions from the storeroom in the Bureau of Grounds and Buildings.

The bureau storeroom is manned by five people. Inventory is made up mostly of small items for custodial and maintenance work. Bureau activities average 25 transactions per day.

Proposed Approach: The present staffing level is far too high for the work load involved. Both receipt and disbursement of inventory items could be handled by two employees. The proposed reduction of three positions — a storekeeper and two clerks — would provide an annual saving of approximately $32,000.

Implementation Strategy: The bureau director should authorize the elimination of these three positions.

352. Incorporate all security forces employed by the state under the Capitol Police Force.

The Bureau of General Services in the Department of Property and Supplies has the mandated responsibility to provide police protection for all state buildings and grounds. However, over the years, this duty has been abrogated to exclude all properties outside Harrisburg as well as several within the capitol. Presently, these areas are protected by the 100 guards employed by individual state agencies or by a private security firm which holds three contracts worth more than $71,000 annually. This fragmentation is inherently inefficient and uneconomical. Furthermore, it provides no means of ensuring that security personnel are of sufficient caliber.

Proposed Approach: For maximum efficiency, economy and quality, all security forces should be incorporated under the Capitol Police within six months. Whether the absorbed personnel remain security people or are upgraded to police officers would be determined by civil service testing. The incorporated security men would constitute a fourth police platoon. They would continue to handle their current responsibilities except for any within the capitol complex. Those duties would be assumed by the existing police organization, somewhat augmented. The proposed fourth platoon would need additional training to reach the standards of the Capitol Police Force. Special effort would be required to absorb the security element at the William Penn Memorial Museum because of a disparity in wages and the nature of the work.

The consolidation of security forces would produce better qualified officers statewide to handle traffic problems and emergencies such as bomb threats, crowd control and first aid. It would mean professional police supervision over all security functions.

Within the three-county capitol area, there are 75 security positions which the Capitol Police Force believes can be covered with fewer personnel once administrative functions are assumed by their present staff. Then, adequate protection could be provided with just 65 officers, for a saving of $70,000 yearly.

Creation of a combined police organization would also permit cancellation of two security contracts costing nearly $42,000. The bulk purchase of uniforms would provide additional savings of $10,000. The total savings from consolidation of the security forces would amount to almost $122,000 annually.

Implementation Strategy: An executive order should be drafted by the secretary, Property and Supplies, to be issued by the Governor, directing the transfer of all responsibility, operating funds and personnel spaces for state security to the Bureau of General Services.

Coordination of the consolidation should be the responsibility of the bureau director. He should arrange with the Civil Service Commission for present security personnel to be tested. Those who pass should be admitted to the Capitol Police Force. Those who fail should be reassigned by their parent department. The vacancy would then be transferred to the Bureau of General Services and filled from the current list of eligibles.

The transfer of personnel and operating funds would be accomplished by the appropriate personnel officers and comptrollers. The Civil Service Commission would grant, on a one-time basis, civil service probationary status to those who pass the police officer examination.

353. Charge all state employees $20 monthly for parking.

The capitol complex contains limited parking spaces. These are provided free to specific employees. The practice creates animosity among less favored workers. Beyond that, 87% of the available spaces are filled by single-occupant cars. This reflects both space and energy waste.

Proposed Approach: State employees should be given equal opportunity to park — and to pay for it. There are 4,250 spaces for parking which cost the state $303,500 a year in rent, plus the cost of police supervision, issuance of decals and attendant paperwork. Charging $20 per month per space would produce annual income of more than $1-million, easily offsetting those costs. Yet the fee is reasonable since it averages less than a dollar per day, only 40% of the cost of public parking. A parking charge would bring an additional benefit in the form of increased car pooling.

Implementation Strategy: The secretary, Property and Supplies, should seek a ruling by the attorney general on the constitutionality of a charge for parking space. A directive should then be issued by the Governor's Office to all agencies specifying a date when employees would have to pay for parking spaces. They could sign a simple form authorizing a payroll deduction. The same form could contain the individual's work location and parking lot choices.

354. Self-insure state motor vehicles.

The present motor vehicle insurance policy stipulates 1976 and 1977 premiums averaging more than $1-million. These premiums are deemed excessive since costs for claims averaged just $490,000 over a recent two-year period. Also, the insurance company is not providing sufficient data for the bureau to establish a loss control program — a goal further hampered by lack of in-house loss expertise. An additional difficulty is the lack of a bureau director.

Proposed Approach: The vacant director's position should be filled by an experienced loss/risk manager with self-insurance knowledge. When the current policy year ends, the director should cancel the motor vehicle policy and institute a self-insurance program. The program would require establishment of a claims unit of two professional adjusters at $16,000 each with combined auto expenses of $2,600 yearly. Total annual costs would be $34,600.

Motor vehicle claims cost an average of $490,000 a year. Under Pennsylvania's newly enacted no-fault insurance law, future expenses are expected to drop 15% to $416,000. With a self-insurance program, the state's total liability will be even less because state employee claimants can be indemnified by workmen's compensation. Based on the 1975-76 premiums of more than $1-million, annual savings will be at least $642,000 for an annual net benefit of $607,000.

Implementation Strategy: The secretary, Property and Supplies, should hire a loss/risk manager as bureau director and initiate a program for self-insuring state vehicles at the end of this policy year. A claims unit must be established and staffed with two experienced adjusters. The unit's clerical needs can be handled by the present staff.

Also, the secretary should seek authority to pay self-insurance claims by advocating legislative amendment of the state insurance fund law. Meanwhile, a claim payment procedure will have to be developed with the state comptroller.

355. Self-insure miscellaneous liabilities up to a $300,000 limit.

The state has many insurance policies covering miscellaneous liabilities. Maintaining a multitude of relatively small policies is inherently uneconomical and inefficient. Moreover, self-insurance could cover these liabilities at substantial savings to the state.

Proposed Approach: The bureau should establish a self-insurance program and cancel all policies with a liability limit of $300,000 or less. In cases where coverage exceeds this amount, the added protection should be purchased. Each instance of such coverage should be examined for its necessity. Numerous liabilities can be combined on one excess insurance policy.

Presently, the state is paying about $181,400 in annual premiums on the 19 miscellaneous policies which have been examined. Replacing them with self-insurance would produce estimated savings of 50%, or $90,700 per year. Furthermore, if this approach is extended to all remaining casualty policies, annual savings could be $400,000 to $500,000, but this amount is not claimed.

Implementation Strategy: The department secretary should direct that miscellaneous liabilities are to be self-insured up to $300,000. The bureau director should review all insurance policies and begin self-insuring liabilities at policy expiration. Before excess insurance is purchased, risk and coverage factors should be examined and adjustments made. After determining excess coverage needs, consolidate as many liabilities as possible under one policy.

356. Renegotiate several basic provisions of the state's group life insurance policy.

Although the state's group life insurance policy is basically adequate, it has provisions which could be altered

for significant savings. Currently, however, the state is in a weak negotiating position with the carrier due to late premium payments. Nevertheless, the following problems deserve negotiation:

- The annual premium is clearly too high. This can be seen in the large year-end dividend of almost 10%. The dividend is a refund of the premium amount less all claim costs and expenses. It should not exceed 2% because most life insurance losses are fairly easy to project.

- The waiver of premium reserve factor is excessive. When an insured is disabled, his premiums are waived and continued insurance protection is guaranteed by placing an amount equal to 75% of policy face value in reserve. This 75% factor is too great because policy value is halved at age 65.

- The "other expense" charge of 1% is subject to reduction. The charge covers the cost of administrative procedures — many of which are currently duplicated by the state.

Proposed Approach: The premium should be established on past claim costs without the addition of an exorbitant margin. This can best be done by demanding quarterly rate review and adjustment. That should keep premium payments down and, subsequently, reduce the annual dividend from 10% to no more than 2%. Though the state would no longer receive outsized year-end dividends, it would have the use of those same funds throughout the year. In 1973-74, this would have allowed the state to invest about $340,000 for the entire year. At 6% interest, added income would be $20,400.

The waiver of premium reserve factor should not be higher than 55%. If that factor were used, more than $1-million could be released to the state from the presently oversupplied reserves. Furthermore, since there are about 520 new waiver cases yearly on policies averaging $10,000, reduction of the reserve factor from 75% to 55% of face value will save the state $1.04-million per year.

Except for issuing benefit checks, handling disputed claims and approving premium waivers, the state self-administers the life insurance program. The Bureau of Insurance duplicates its files and sends them to the carrier for issuance of death benefit checks. To eliminate this redundancy, a draft book system should be initiated whereby the bureau can issue carrier checks to pay non-disputed death claims directly. To reduce disputed claims and the resulting carrier work load, state employees should be required to designate a beneficiary. These actions would enable the state to negotiate a reduction of the "other expense" charge from 1% to 0.5% for savings of $45,000 per year.

Implementation Strategy: Under the direction of the department secretary, the bureau director and state comptroller should meet with carrier representatives to negotiate the three points of this recommendation. The changes are fair and equitable. If the company refuses to agree, the bureau director should begin discussions with other reputable carriers.

When rates are reviewed quarterly, the comptroller will have to ensure on-time premium payments. Payments should be made promptly from the general fund which would be reimbursed through accounting procedures instead of actual check transmittals.

After briefing union officials, the bureau should distribute forms to all departments and agencies with instructions to have each employee name a life insurance beneficiary. The form should be placed in the employee's personal file.

357. Improve administrative procedures for the health insurance program and transfer responsibility for employee benefits to the Bureau of Insurance.

With the exception of employee benefit programs, the Bureau of Insurance is responsible for all insurance coverage required by the state. In regard to employee benefits, Pennsylvania spent approximately $45-million for health insurance coverage for eligible employees and their dependents in fiscal 1975. At present, the state does not have an effective review procedure to recover payments for ineligible employees. Also, the present cost accounting system results in unnecessary paperwork and delay.

Proposed Approach: To provide more effective control of the overall insurance needs of the state, responsibility for the employee benefit programs should be transferred from the Bureau of Personnel in the Office of Administration to the Bureau of Insurance.

As a means of recovering erroneous payments, the state should institute an early termination reporting procedure with the carrier. Reports should be submitted daily, if possible, but no longer than a week apart. Establishing an earlier coverage termination date would provide substantial premium reductions. Also, the state should check the claims charged to its experience on a quarterly basis to determine if claimants were eligible when services were rendered. If these reviews show a substantial proportion of erroneous charges, the state should negotiate with the carrier for credit. In this regard, the state must be able to show that notification of the termination of coverage was made on a timely basis.

Since the existing benefit program is based on cost-plus schedules, the state should alter its cost accounting pro-

cedure to eliminate the per-employee premium rate. Instead, a total monthly premium should be established based on the previous month's claim experience. Implementation will give the state better control over retention charges as well as open and unreported reserve balances. Better retention charges could then be negotiated with the carrier. It is anticipated that these changes will reduce overall premium expenditures by 2% or $1.04-million annually.

Implementation Strategy: The Governor should authorize the transfer of the employee benefits program to the Bureau of Insurance. The bureau director would be responsible for negotiating the proposed changes with the insurance carrier. A special division should be established in the bureau to administer the employee benefit programs.

358. Reduce the number of purchase requisitions initiated and generated in the Bureau of Grounds and Buildings.

The bureau's Maintenance Division does repair work in 13 state buildings. However, the use of present procurement procedures to obtain supplies for minor jobs causes unnecessary expense and delays. In fiscal 1975, the bureau processed more than 1,700 purchase requisitions — most of them for low-cost maintenance items. A study showed that 75% were written for materials costing less than $100; 20% for items between $100 and $500; and the remainder for purchases in excess of $500.

Proposed Approach: The bureau should implement an advancement account system to eliminate purchase orders for low-cost items. The procedure would involve establishing a checking account with a $1,000 balance at a local bank. The balance would be kept at the $1,000 level through continuous Treasury Department audits. The bureau director or his designee would be responsible for writing checks on the account to cover small purchases. Implementation would make it possible to eliminate a clerical position for an annual salary saving of $11,000 including benefits.

Implementation Strategy: Authorization for use of the system would have to be obtained from the Governor, the Office of Administration in the Bureau of Financial Management and the secretary, Department of Property and Supplies. A form is available to secure such permission. Supplies purchased under the system could be picked up for delivery in one of the bureau's fleet of 29 vehicles.

359. Reduce outside service contract expenditures.

Maintenance service contracts cost the bureau $411,000 over a three-year period, including $121,000 for fiscal 1975. The service is used to keep the automatic temperature control system operating efficiently. The bureau also employs two technicians and a supervisor to perform day-to-day maintenance tasks.

Proposed Approach: Adding three people to the existing staff would make it possible to perform the contracted service work in-house. There would be a one-time cost of $3,000 to provide training in automatic temperature controls while annual salary costs are estimated at $37,200 with benefits. It would also be necessary to provide a parts inventory at an annual cost of $10,000. However, the net annual savings over average yearly contract expenditures would be $89,800.

Implementation Strategy: The bureau director should develop required job descriptions and salary ranges. He should also recruit appropriate personnel and provide them with required training.

360. Reduce the number of invitation-to-bid copies sent to vendors from three to one.

The printing and mailing facility operated by the Bureau of Management Services expends 85% of its time and capacity producing bid invitations for the Bureau of Purchases. This is largely due to the supposed need to provide three copies of an invitation to each vendor, based on faulty interpretation of an administrative code section by the Bureau of Purchases. Nowhere does that section specify the mailing of three copies nor the inclusion of a postpaid return envelope.

Last year, printing and mailing costs incurred by the Bureau of Purchases were $124,000, and postage was an additional $77,000. Much of this expense is attributable to the three-copy procedure. Furthermore, the state's field purchase manual mirrors that procedure by requiring other state agencies to mail multiple copies of bid invitations and property sale notices.

Proposed Approach: Print and mail only one copy of an invitation to each vendor. A responding vendor would have to copy that original and return both at his expense. Totally unresponsive vendors should be removed from the mailing list. Mailing single invitations would allow utilization of the automatic folder-inserter and a smaller envelope.

Implementation of these actions would cut printing and postage costs by two-thirds and reduce work volume enough to permit elimination of one addressograph machine operator and one bindery worker. Total annual savings from this recommendation would be $169,000. Additional but undetermined savings will result by discontinuing similar multiple-copy mailings by other state agencies.

Implementation Strategy: To demonstrate that the administrative code does not require the present three-copy

procedure, a definitive interpretation must be sought by the department secretary from the state's attorney general. When a favorable ruling is received, the purchasing director should institute the new procedures and revise related sections of the field purchase manual.

361. Group 10 or more people on flights to the same destination.

The Travel Office issues 8,400 air travel tickets annually. Presently, state employees and legislators book flights at their convenience. This prevents the Travel Office from taking advantage of group rates and allows employees to incur unnecessary overnight expenses. The daily flights to Pittsburgh and Erie offer one-third discounts to single-flight groups of 10 or more passengers.

Proposed Approach: To ensure that Pennsylvania receives all available group discounts, travelers must inform the Travel Office at least three working days before desired departure. The office will notify the airline of the group traveling to Erie or Pittsburgh 48 hours in advance and will request booking on the first scheduled departure of the day. Employees must schedule their appointments based on flight arrival times but may return on any flight.

At current travel loads and rates, this recommendation would save $93,000 per year. Additional but unclaimed savings will accrue due to the elimination of overnight expenses.

Implementation Strategy: The Governor should sign an executive order authorizing the Travel Office to establish and distribute guidelines on group air travel for government personnel. As soon as the order is issued, the travel officer should begin scheduling employees with common destinations into flight groups of 10 or more.

362. Reduce the frequency of public sales at the Surplus State Property Division warehouse.

Most articles received by the Surplus State Property warehouse are reissued among state agencies. If items have not been transferred within five days, they are generally offered for public sale. Such articles are priced by the warehouse superintendent and a clerk and placed in a sales area open to the public each work day, including lunch time. This requires too many division personnel to act as storekeepers, watchmen and cashiers. Moreover, the current procedure has the built-in hazards of collusive pricing or sale of items the state should keep. The warehouse public sales generate approximately $80,000 per year.

Proposed Approach: Daily public offerings of surplus state property should be discontinued. Sales should be held as infrequently as warehouse space permits and advertised modestly in major newspapers. Initially, public sales should be conducted weekly. Ideally, they would become monthly events and suitable for auctions which would likely increase revenue.

To avoid excessive handling, items entering the warehouse should be placed in three physical areas: likely sale, possible sale and likely reassigned. Prices should not be marked until just prior to a sale. These actions plus the reduction in sale frequency should eliminate much of the needless work incurred when employees serve as sales clerks.

Primary advantages of this approach include:

- Likelihood that more items will be claimed for use by state agencies.
- Opportunity for increased supervision over items offered for sale and their pricing.
- Reduction of one worker at an annual saving of $9,300.

Implementation Strategy: The deputy secretary in charge of procurement must authorize the bureau director to schedule public sales only when lack of warehouse space dictates and to prepare plans for an eventual auction. The director should begin to hold sales weekly, with the aim of making them monthly. He should approve the selection and pricing of all items to be sold and ensure that sales are reasonably advertised. The director and warehouse superintendent should devise procedures for segregating incoming articles based on the probability of future sale. The director should establish control procedures and a monthly report process to monitor the new program's effectiveness.

363. Reduce custodial costs.

Approximately 396 people are assigned to work for the Custodial and Operation Divisions in the Bureau of Grounds and Buildings. The Custodial Division employs 235 part-time employees who work five hours a night and 32 full-time people with both night and day shifts of 7.5 hours. The Operation Division's janitorial unit is staffed by 129 full-time people on night and day shifts. Both groups are classified as custodial workers. They are responsible for cleaning and housekeeping activities for some 2.4-million square feet of usable floor area. This is approximately 6,100 square feet per employee.

The separation of responsibility between two divisions, a lack of effective work standards and an inefficient five-hour work shift have combined to create abnormally high custodial service costs.

Proposed Approach: The two groups should be assigned to the Custodial Division to eliminate duplicate efforts and provide a more manageable work force. The part-

time work shift should be eliminated and all custodial jobs performed at night. A small staff should be retained for emergencies during the day. A daily work standard should be developed for custodial employees along with definite assignments. This will permit supervisory staff to evaluate individual performances.

Although the accepted standard in comparable work environments is 15,000 to 20,000 square feet per employee, the level of achievement now is only 6,100 square feet. This should be increased to an area of at least 12,000 square feet.

Implementation would permit a 25% reduction in full-time equivalent employees. The reduction of 79 full-time equivalent positions would provide an annual saving of $722,000 in personnel costs.

Implementation Strategy: A work standards program should be designed and implemented by the bureau director's staff or the department's management review unit. The director should issue a directive eliminating the part-time work shift, requiring custodial work to be performed at night as well as establishing reasonable work load and performance standards.

FACILITIES OPERATION AND MAINTENANCE

The physical plant activities of the state constitute a massive enterprise. Major elements include the capitol complex and associated facilities in Harrisburg and elsewhere which are administered by the Department of Property and Supplies as well as 79 state-owned institutions operated primarily by the Departments of Public Welfare, Education and Justice. Numerous smaller facilities are under the jurisdiction of various executive departments and agencies.

For purposes of definition, this report encompasses all activities related directly to physical plants such as maintenance, custodial services and utilities. It does not include occupant-related activities such as laundry, transportation and food service. It is estimated that these functions involve at least 8,000 employees statewide with a total labor cost of about $100-million. Energy expenditures required approximately $32-million for fiscal 1975.

The above does not include major activities at state-related universities and their branches. These institutions are basically self-sufficient in terms of physical plant staffs.

RECOMMENDATIONS

364. Standardize physical plant procedures and establish organizational guidelines at all state-owned institutions.

Management and operation of the physical plant staffs at state-owned institutions vary widely. Development of programs and procedures on an individual basis has resulted in costly duplications and inefficient procedural variations. Although the entire spectrum of physical plant activities cannot be managed effectively on a centralized basis, some functions should be consolidated. Deficiencies exist in the use of contract services, organization and control of storeroom operations and inventories and standardization of work order procedures and job scheduling. Labor productivity also appears low.

Proposed Approach: A statewide policy should be established in regard to physical plant activities at the state-owned institutions. It should recognize that day-to-day management must be exercised locally, but that overall organizational and policy matters should be established centrally. The following areas should be incorporated into the policy:

- No state-owned institution is large enough to justify a completely independent physical plant function.
- All physical plant activities — maintenance, utilities, grounds, custodial services and the like — should be grouped under a superintendent reporting to an appropriate institution vice president in the business area.
- Major engineering and facility planning activities should be executed by central engineering personnel. Existing facility director positions should be eliminated by all the institutions.
- Central engineering staffs should review and approve the maintenance management policies in effect at the various institutions.
- A statewide cost accounting system should be developed on an interdepartment basis to provide compatible data. A similar approach should be used in regard to storeroom and inventory procedures.
- Existing regional engineers in the Department of Public Welfare should be eliminated. Savings are claimed elsewhere.
- Resource sharing activities should be formalized and used as widely as possible.
- Work order procedures and job scheduling techniques should be streamlined and implemented on a uniform basis. Steps should also be taken to increase overall labor productivity.

Implementation would provide an annual saving estimated at $4-million. The anticipated benefits would result from elimination of the facility directors and their staffs, a conservative 5% reduction in labor force levels through increased productivity and savings in storeroom, inventory, contract service and resource sharing activities. The savings takes into consideration the possibility of overlaps with other recommendations.

Implementation Strategy: The Governor's Office should issue an executive order establishing the statewide policy and assigning responsibility to individual department secretaries for formulating a uniform program for the institutions under their jurisdiction. The Office of Administration would monitor and coordinate the overall activity. While no enabling legislation appears necessary, it might be desirable and should be considered.

365. Centralize responsibility for the energy conservation program in the Department of General Services.

During the past two years, a reduction of 10% in energy consumption has been achieved by the state. However, increased unit costs have outpaced the savings. Fiscal 1975 energy expenditures for state-owned facilities were $32-million compared to $18-million in fiscal 1973. Although all agencies have some form of conservation program, the effort lacks direction and coordination from a central source.

Proposed Approach: Since the Department of General Services is responsible for design and construction of state facilities, it would be logical to assign responsibility for executive action in a statewide program of energy management to this department. Responsibilities would encompass both engineering and operational aspects to ensure that both receive sufficient attention in a well-coordinated manner. The following would constitute the basic framework of the program:

- The secretary, General Services, should be appointed to the Governor's Energy Council and assigned a key role in its activities.
- Responsibilities of Penn State's Institutional Engineering Advisory Services should be expanded to include intensified monitoring of the statewide program under the direction of the Department of General Services.
- The Department of General Services should be reorganized to include all energy operations in one bureau and all operating functions under one deputy secretary.
- The department's engineering design group should develop engineering standards which are compatible with the principles of effective energy management.
- Procurement and accounting functions in the department should be coordinated in order to provide base data for the program.
- The central engineering staffs of the various state departments should be given authority to implement energy management programs in their areas.
- A system of interdepartment communication should be established to provide required feedback and information exchanges.
- The need for new control systems should be evaluated. Large expenditures for sophisticated devices should be avoided unless substantial benefits are involved.

Overall implementation may require three or four years. However, the bulk of the potential benefits should be realized in less than two years. Based on current prices, a minimum goal of a 10% energy cost reduction would provide an annual saving of $2.5-million with an additional $500,000 benefit claimed elsewhere.

Implementation Strategy: The Governor should authorize the Department of General Services to establish a statewide energy management program. The department secretary should reorganize activities to place all operational functions under one deputy secretary and all energy operations in one bureau.

366. Use computerized power demand control in capitol complex facilities.

State-owned facilities do not use computerized power demand control to minimize electric costs. This technique consists of switching appropriate equipment on and off for short periods to level the electrical work load and reduce demand penalties.

Proposed Approach: The Department of Property and Supplies has a computer installation in the capitol complex which could be programmed to control as well as monitor power consumption. If the facility can handle the added work load, there would be a one-time cost of $30,000 to implement this proposal. However, it is anticipated that electrical costs would be reduced by $56,000 per year based on current billings.

Implementation Strategy: The director of the Bureau of Environmental Control should authorize an evaluation of the existing computer system's ability to absorb the projected work load. Applications should then be developed to implement the control program.

367. Use lowest cost coal in the heating plants.

The high cost of anthracite coal makes it mandatory to review institutional heating plants to determine if bituminous coal can be substituted.

Proposed Approach: A statewide testing program should be conducted to determine which institutions can substitute bituminous for anthracite coal and what, if any, alterations are needed. Specifications must also be prepared in regard to acceptable quality levels for bituminous coal. It is expected that necessary conversions of heating plants could require a one-time expenditure of $1.8-million. However, fuel costs would be reduced by $4-million annually.

Implementation Strategy: The Institutional Engineering Advisory Service at Penn State should provide engineering advice to the various departments whose institutional facilities could implement this proposal. Implementation responsibility would rest with the individual organizations. Coordination of this activity should be assigned to the Governor's Energy Council.

MOTOR VEHICLE FLEET MANAGEMENT

More than 21,000 pieces of motor vehicle equipment are operated and maintained by the state. An additional 7,100 units assigned to Pennsylvania's national guard are state-licensed and insured but federally purchased and maintained. The state fleet is comprised of the following three independent subunits:

Commonwealth fleet — This fleet, administered by the Department of Property and Supplies (DPS), consists of over 4,200 passenger and 5,100 commercial vehicles in use by 32 state agencies. These vehicles were intended to be part of an internal leasing program. The plan was to be self-sustaining in that annual fees plus used-vehicle auction receipts were to offset maintenance and replacement costs. But only 44% of the fleet operates under the leasing program. This low participation is caused by a lack of operating and maintenance cost data, administrative controls and expertise and adequate maintenance and repair facilities.

About 5,800 fleet vehicles are maintained and repaired at auto agencies and independent garages per arrangement by the vehicle operator. This method precludes quality or cost controls. Another 1,550 vehicles are used by state institutions and departments with their own automotive shops. These 74 shops do not service other fleet vehicles. In some cases, total maintenance costs are not reported to DPS vehicle management.

State Police fleet — The vehicles managed by the State Police Bureau of Staff Services include 1,950 passenger and 130 commercial vehicles. Most of the fleet consists of patrol cruisers. The remainder are administrative and surveillance units. An executive order directed that this fleet be consolidated with the commonwealth fleet by 1974. This has not been implemented.

Currently, 65% of police vehicle maintenance and repair work is done at their 15 area facilities and the state's central garage. Remaining work is performed by auto agencies and independent garages. A mechanized reporting and recording system provides data on vehicle utilization, mileage and other factors, but not expenditures. Cost records consist of invoices filed by individual vendor. Summaries are not available.

PennDOT fleet — This fleet, administered by the Department of Transportation (DOT), contains more than 1,400 passenger and 4,800 commercial vehicles. In addition, there are nearly 3,600 road-building and maintenance equipment units and 10,000 engine-driven pumps, blowers, generators and the like. This equipment is maintained in 67 county sheds operated by and for the DOT exclusively.

A combination mechanical and manual reporting and recording system provides fairly good insight on vehicle utilization and operating costs. However, the mechanized reports lack summary data and the manual operation is cumbersome.

RECOMMENDATIONS

368. Consolidate responsibility for all state motor vehicles within the Department of Property and Supplies.

Responsibility for the state motor vehicle fleet is divided among three separate groups. For the most part, each operates in its own fashion, with varying guidelines on vehicle replacement, types of equipment purchased and maintenance procedures. Each fleet management group has a distinct records and reports system, but none provides the data required to effectively analyze operating costs. Therefore, it is impossible to arrive at a justification for leasing charges. Cost determination by vehicle class, repair category and other criteria is generally lacking.

At present, the Department of Property and Supplies handles liability insurance, used-vehicle disposal and the purchasing of new vehicles and automotive supplies for all three subfleets.

Proposed Approach: Consolidate administration, control and maintenance responsibilities for all state vehicles into a single group within DPS. Establish a computerized records and reports system within the department's vehicle management group designed to provide data for fleet utilization analysis and cost control. Transfer and physi-

cally move administrative personnel of the State Police and Transportation fleets to DPS. Physical transfer is necessary for creation of an integrated and efficient unit.

Benefits of fleet consolidation would include:

- Elimination of 16 automotive officers at annual salaries of $17,000, for total savings of $272,000.
- Reduction of 20 clerks from the existing fleets at average salaries of $10,000 per year, for total annual savings of $200,000.
- Expansion of the internal leasing program to permit acquisition of new vehicles early in the year as opposed to mid-year. Earlier auctioning of 2,500 used passenger vehicles annually would produce an average $100 more per vehicle, or a total of $250,000. Commercial vehicles are not similarly affected. But earlier replacement should save $25 per passenger and commercial vehicle in repair costs, for an annual saving of $88,000. Total annual savings would amount to approximately $810,000. The cost of establishing a computerized reporting system has been estimated by Office of Administration officials to be $36,000.

Implementation Strategy: Consolidation should be implemented in seven steps. The first three steps should be completed prior to June 30, 1976, so that the fourth could be implemented in July 1976 and the fifth in August 1976. Steps six and seven should be scheduled for July 1978. The procedure should be as follows:

- Have the three groups presently administering motor vehicle fleets review existing methods of recording, reporting and requesting data and agree upon one set of forms and procedures. Consideration should be given to the input required and the reports expected from a computerized program.
- Install a centralized computer report system for all agencies to be administered by DPS.
- Update the annual lease rates for fleet vehicles based on complete costs.
- Transfer all special fund passenger vehicles (except police units) into the internal leasing program.
- Begin forming the consolidated "motor vehicle administration" group within DPS.
- Transfer the State Police personnel to equivalent levels in DPS. Assign all police vehicles to the internal leasing program.
- Transfer all PennDOT vehicles to the internal leasing program. Move PennDOT personnel to equivalent levels in DPS.

369. Use existing state-owned motor vehicle repair facilities for all state vehicles.

Several departments operate their own maintenance and repair shops. However, they do not extend use of these facilities to other state agencies. The State Police operates 15 shops and PennDOT operates shops in each of the 67 counties. There are 74 additional shops operated by other state institutions and departments.

Some 6,600 vehicles are maintained in independent garages and auto agencies. Labor rates average $10 per hour. Parts discounts range from 10% to 25%, while 40% to 50% could be expected with fleet purchasing. Work performed in these public shops is not effectively supervised to ensure quality. State employees who drive these assigned vehicles lose valuable time arranging for competitive bids and service appointments.

Proposed Approach: The availability of facilities in most areas of Pennsylvania will permit the assignment of maintenance and repair work for almost all vehicles to a state shop nearby. Man-hours, parts and supplies can then be controlled. By taking advantage of centralized parts purchasing and distribution and buying from wholesale houses when necessary, costs will bring minimum savings of $297,000 annually. A minimum 30% decrease for parts will result in an annual saving of $186,000. A reduction of 25% can be expected in vendor costs for annual savings of $321,000. A total saving of $804,000 per year will be realized plus the recovery of valuable employee time.

Implementation Strategy: The deputy secretary in charge of vehicle management should prepare an executive order for the Governor's signature. This authorization would direct that all vehicle maintenance be done in state shops. Following this, a survey should be made of the 158 repair facilities to determine their ability to absorb additional work. Service capabilities must then be expanded to meet anticipated work loads. Implementation will require adding personnel and establishing training standards for mechanics. A repair order form should be designed to provide cost and accounting data for EDP input. Billing should be based on commercial rate schedules.

370. Reduce the number of motor vehicles in state fleets to conform with actual need.

Reports reflect considerable underutilization of some state passenger vehicles and trucks. A practical recommendation for fleet size reduction must allow for those vehicles used for seasonal and/or specialized work. Another factor to consider is the incomplete reporting on a high percentage of the vehicles.

Proposed Approach: Reduce the Commonwealth passenger and commercial fleet and PennDOT passenger

vehicles by at least 5%. The reduction in passenger fleets will produce an annual saving of $414,000. However, an offsetting expense of $154,000 is estimated because of increased use of personal automobiles. The net result is $260,000 in annual savings. An additional saving of $244,000 will be realized annually from the reduction of the commercial fleet. Thus, total annual savings from implementation are $504,000.

Implementation Strategy: Fleet managers should scrutinize existing reports to pinpoint underutilization and remove or reassign those vehicles. Steps must be taken to assure complete and accurate reporting.

371. Institute an energy conservation program.

No guidelines or controls exist for the conservation of energy by state fleets. Such controls are needed to conserve critical materials for the benefit of the nation and eliminate unwarranted expenditures by the state.

Proposed Approach: The development and implementation of a program applicable to operators of state vehicles is necessary for the conservation of petroleum and its by-products. A 5% reduction in energy use can be achieved by following guidelines which ensure that:

- All vehicle engines are maintained to meet federal exhaust emission control standards.
- Tires are kept inflated to the maximum pressure recommended by the manufacturer.
- Engine oil changes are kept to a minimum by following recommendations for use of long-life premium oils and filters.
- Engines are operated only as needed and are not run to keep engine or the cab interior warm.
- Vehicles are not used for personal reasons.
- Car pools are utilized to the maximum degree.
- Multiple vehicles are not taken to a common destination when doubling-up is possible.
- Job plans are designed to minimize travel time and distance.
- Speeds are maintained at or below legal limits.

In 1974, 144 million miles were logged by state vehicles. A 5% reduction would produce savings of $1.5-million.

Implementation Strategy: The deputy secretary in charge of DPS vehicle management should immediately prepare objectives, guidelines and controls for an energy conservation program for the state's motor vehicle fleet. He should provide agencies with monthly mileage figures for the preceding year, and issue monthly progress reports. If the mid-year point does not reflect an improvement, offending agencies should suffer an arbitrary fleet reduction, if practical.

372. Revise specifications for passenger vehicles.

About 6,550 passenger cars are operated by the state. Executive and state police pursuit vehicles account for nearly 1,900 units. Of the remaining 4,650, only 4% are compacts.

Compact and subcompact cars cost less to buy and operate than the full and intermediate sizes which now make up the majority of the fleets. Relative resale values will be at least as high as that of full-size units in view of steadily increasing prices and probable restrictions on fuel consumption. Fleet vehicles now average 13 miles per gallon of gasoline. A compact will average a minimum of 17 and subcompact models 19 miles per gallon, an improvement of 31% and 46% respectively. Presently, all vehicles purchased are equipped with a set of minimum options, many unnecessary for fleet service.

Proposed Approach: Purchase compact or subcompact cars for all fleet operations except executive or police pursuit use. The projected replacement schedule for passenger vehicles in the commonwealth fleet is four years or 60,000 miles. Of the more than 3,700 cars involved, about 940 are scheduled for replacement annually. Using April 1975 bid prices, the difference between replacement on a like-basis and purchasing compacts is $356,900.

The projected replacement schedule for cars in the PennDOT fleet is three years or 75,000 miles. Of these 930 units, the scheduled replacement rate is 310 per year. By purchasing compacts, an annual saving of $129,800 can be realized. An additional cost reduction of $37,500 would result from the purchase of subcompacts as replacements for 125 of the lowest mileage cars on the replacement schedule.

Using average 1974 vehicle mileage as a base, an ultimate reduction of over 1,346,000 gallons of gasoline at a minimum $0.47 per gallon would yield $632,700 annually. The list of minimum options contained in present specifications is superfluous for compact cars. Elimination of these extras on the cars projected for annual replacement would result in savings of $259,400. Total savings from using compacts and subcompacts equipped as recommended would amount to more than $1.4-million annually.

Implementation Strategy: The Office of Administration should draft revisions to the administrative code to exclude the purchase of standard-size cars for executive or police pursuit use. Property and Supplies should instruct its Bureau of Standards to revise specifications to eliminate needless options for compact cars.

373. Mark passenger cars so they may be readily identified as state vehicles.

The method now used to identify state passenger vehicles (except those purposely left unidentifiable) is a license tag attached to the front bumper indicating "For Official Use Only." The serial number on the state registration tag attached to the rear bumper provides identification only to those familiar with the numbering system. Many fleet vehicles are not equipped with the front bumper tag. As a result, unmarked and inadequately marked vehicles can be used for personal business by employees.

Proposed Approach: Specify one standard color for all passenger vehicles not intended for executive or security use. Apply an approved design to both sides of the vehicle that will provide quick recognition of an official car. Material used to identify police cruisers is easily applied to new cars and removed from old. There is no way to determine how much use of official vehicles is for personal reasons, but a conservative assumption would be 5%. If this were eliminated, annual expense savings less marking costs would be $163,000.

Implementation Strategy: Property and Supplies should instruct its Bureau of Standards to select a single paint color and an identifying marking for passenger vehicles. Specify the standard color in all future competitive bidding. Apply markings to all eligible passenger cars not scheduled for disposal within a year. Discontinue the "For Official Use Only" tag.

OFFICE SYSTEMS AND OPERATIONS

Office systems and other types of administrative support are generally provided by management services units within state agencies. Responsibilities fall into two categories: conducting studies requested by the agency; and coordinating and maintaining established agency programs. Units may also participate in internal auditing functions and activities related to planning areas other than fiscal administration. The state employs approximately 162 management analysts at a combined payroll of $2.5-million.

RECOMMENDATIONS

374. Adopt a management program to improve administrative and paperwork systems.

Administering state policies and procedures involves a tremendous amount of paperwork. Clerical, administrative and fiscal positions account for 24% of the state payroll — some 29,041 employees at a cost of $356-million annually. In addition, current vacancies in these areas, if filled, would require another $31.9-million in salaries and benefits. Methods to establish costs in relation to administrative and paperwork operations are lacking, although they would be useful in evaluating the efficiency of services rendered. Little effort has been made to develop an approach which will provide continuous management review of administrative operations within each agency. A qualitative analysis of existing paperwork levels is needed. It should examine the reasons for paperwork creation as well as the number of people utilized and the methods employed in processing material. Industrial case studies have shown that 25% to 30% of the paperwork generated within specific operations was unnecessary. If processing systems are to be truly effective, the need for producing individual items of paperwork must be constantly assessed. If this is not done, steadily increasing volumes of work will negate all attempts at efficient administration.

Proposed Approach: Pennsylvania should institute an administrative and paperwork systems management program to evaluate the effectiveness of its administrative activities and the employees involved with them. Unfilled clerical positions as well as some administrative and fiscal vacancies should not be filled until a study has been completed to establish justification for them. Since there are approximately 162 management analysts in state government qualified to perform the proposed study, they should have little difficulty in implementing this review approach. Each agency would be responsible for tracking present methods of operation and analyzing various components. The activities involved would include:

- Management Orientation — Analysts would meet with agency heads to establish program objectives and potential problem areas. Background on agency operations would be needed to establish the scope of activities.
- Data Gathering — An information gathering packet would be distributed to all employees who provide input to the various administrative/paperwork systems. It would consist of task data sheets, task description forms and paperwork evaluation forms. The aim would be to determine what actually occurs during a normal work day. Unusual or occasional situations could be described on an exception basis.
- Flow Chart Development — When data are returned to the management analysts, they would prepare flow charts of the systems in operation. These would help highlight unnecessary procedures, problem areas and other types of delays.

- Cost Development — The next step would be to identify costs involved.

- Work Load Distribution — Once this information was complete, the analysts would complete a work load distribution chart which would show the systems used in each agency, the cost of each and the total amount of staff time required for administration. Data could be used to determine eventual work reassignments, optimum staffing levels and manpower utilization.

- Systems Development — Once the work load distribution chart was complete, the analysts could begin developing alternate methods to improve existing systems. It is vital that the need for any activity be fully justified and unnecessary functions or procedures eliminated.

- Recommendations — The recommendation report should include all practical solutions to agency problems. Replies to these reports should be issued by agency heads within one month.

- Implementation — Proposed changes should be carried out by agency manpower with assistance from the analysts as required. Reports should be prepared on the status of implementation progress.

- Audit/Review — Periodic audits should be made to help agencies maintain maximum efficiency.

Based on industry results of 20% to 30% improvements in productivity, implementation of an overall systems study with vigorous implementation of recommendations should provide at least a 15% increase in operational efficiency. This would result in an annual salary saving of $53.4-million at the current expenditure level of about $356-million.

These savings are not being claimed because they are included within the general category of productivity improvements. However, 24 other recommendations indicate potential annual savings of approximately $26.9-million through improvements in office operations.

Implementation Strategy: An executive order should be issued by the Governor assigning overall responsibility for the program to the Office of Administration. It should direct that clerical, administrative and fiscal vacancies remain unfilled until the need for them is established by the study. Agency heads would be requested to supply necessary data to the Office of Administration and it would arrange for management orientation meetings. The office would also retain final approval over the work assignments of all of the management analysts involved in the program.

375. Improve control and utilization of copy equipment and employ competitive bidding practices.

An estimated 1,400 copy machines are used by state agencies at an annual expenditure of at least $3.1-million. Due to a lack of data, however, it is impossible to ascertain the degree of control or utilization in regard to this equipment. However, sampling indicates the average cost for machines in the capitol complex is a little more than $0.04 per copy. In other locations, figures range from $0.05 to $0.11 each.

Proposed Approach: Proper control and improved purchasing practices could reduce copying expenditures to $0.025 per copy for an annual saving of $1.6-million. To accomplish this, an inventory should be taken to establish: the number and location of all copiers; annual volumes and costs per copier; special features required, if any. Using this information, Pennsylvania can request bids and negotiate contracts for specific periods at fixed per-copy costs.

An analysis of copier use should also be made to determine actual needs and break-even points between copiers and duplicators. Finally, monitoring and control of equipment should be improved and an effective reporting system established to reflect copier use and costs.

Implementation Strategy: This new program should be made a responsibility of the director, Bureau of Graphic Communications.

376. Purchase duplicating equipment for two-sided copying.

The state produces approximately 500-million duplicated copies annually. About one-third, or 150-million copies, are run on both sides of the paper. Current equipment requires that operators feed the paper through the machines twice to produce back-to-back copies.

Proposed Approach: Using both sides of the paper in making copies is certainly economical and the practice should be encouraged. However, the procedure would be more efficient if present equipment were upgraded to provide back-to-back copying with a single processing.

Implementation would reduce both labor costs and turnaround time. Using data supplied by the Department of Property and Supplies, the annual saving to be realized should amount to $340,000, based on current volume of 150-million copies. The one-time cost of upgrading the equipment is estimated at $375,000. Leasing plans could further reduce this expenditure.

Implementation Strategy: The director, Bureau of Graphic Communications, should select a site for a pilot

installation. Based on the results, operating policies and methods should be developed to provide maximum utilization. If successful, other sites for installation should be selected. A policy should also be implemented to encourage two-sided copying.

377. Employ competitive bidding for all graphics paper purchases and establish efficient inventory controls and levels.

A random sampling of monthly inventory/usage reports for several major departments indicate that agencies purchase a variety of paper grades and brands, the prices paid for similar grades varies from agency to agency and inventory levels are excessive.

Proposed Approach: All agencies should determine the extent of paper supplies being maintained. Specific types, grades and brands should be identified and efforts made to reduce the current variety. Premium prices are paid for nonstandard grades and colored stocks. Therefore, the state can save money by standardizing its paper requirements. In addition, the Bureau of Graphic Communications should determine methods to utilize competitive bidding for the estimated total volume of paper needs in the state agencies. Shipment guarantees can be included as part of the contract. At an estimated use rate of 850,000 reams, reducing overall costs by $0.50 per ream would result in an annual saving of $425,000.

Implementation Strategy: The director of the Bureau of Graphic Communications should initiate the necessary use studies and agencies should take steps to reduce the variety and level of current inventories.

PROCUREMENT

The Department of Property and Supplies is charged by law with exclusive responsibility to purchase or contract for supplies on behalf of the state. Its Bureau of Purchases acts as the state's purchasing coordinator. The bureau exercises control over the acquisition of supplies, selection of bidders and awarding of contracts to vendors.

During fiscal 1974, it issued 14,200 purchase orders representing an expenditure of $60.1-million. The bureau processed another 79,000 field limited purchase orders, representing $99.2-million, against 400 statewide procurement contracts. The balance of the $300-million total — some $150-million — consists of purchases made by agencies at the local level. There are 86 people in the Bureau of Purchases and the fiscal 1975 operating budget was more than $1.2-million.

378. Locate all Bureau of Purchases offices on the same floor of the North Office Building.

The bureau occupies portions of two floors in the building. This arrangement disrupts work patterns, slows operations and reduces supervisory effectiveness.

Proposed Approach: The bureau should be consolidated on the fourth floor of the North Office Building. In making the move, the area assigned to buyers should be designed to grant them adequate space and privacy to increase their effectiveness. The consolidation should make it possible to reduce staff levels by three buyers and three clerk-typists. The annual saving would amount to $64,000. The one-time expenditure would be $50,000.

Implementation Strategy: The deputy secretary, Procurement, should authorize a study to arrive at the most advantageous office arrangement.

379. Reduce the field inspection function in the Bureau of Standards.

The Bureau of Standards has 10 field inspectors who examine materials received at outlying locations. They visit all institutions in their assigned area weekly. During fiscal 1974, these inspectors rejected less than 0.01% of the items checked. Vendor quality needs only to be spot checked for consistency. Also, the paperwork generated by the inspectors duplicates that of the receiving agency.

Proposed Approach: Items should be inspected only at the request of a receiving agency with spot checks of selected commodities as designated by the director of the Bureau of Standards. The receiving agencies could assume responsibility for proper receipt and inspection documentation. Thus, the entire work load could be reassigned to two inspectors, eliminating two clerks and a supervisor. The department fleet could also be reduced by eight cars. The total annual saving would amount to $136,000.

Implementation Strategy: The department secretary should authorize the necessary changes. The procedures manual should be revised to say under what conditions the Bureau of Standards should be notified. Receiving reports should be modified to serve as inspection sheets.

380. Implement a series of management information reports that identify various aspects of the purchasing activity.

At present, no systematic analysis is made of buying patterns, geographic usage of commodities, price trends, quantity discounts, warehousing needs and the like. Such information is vital in establishing programs and procedures which will improve purchasing activities.

Proposed Approach: A series of management information reports should be produced on a regular basis to indicate purchasing activities by expenditures, commodity, date, requisitioning department, user location, vendor, contract and buyer. Utilized properly, such data can result in approaches to reduce the number of purchase orders written, improve warehousing practices, speed order processing and identify opportunities for increased savings to the state.

Implementation Strategy: A committee composed of the directors of the Bureaus of Purchases and Management Services as well as procurement officers from the Departments of Transportation, Public Welfare and Education should be established to design and format the initial series of reports. Management Services should handle monthly distributions of the data developed. A permanent team in the Department of Property and Supplies should be assigned analysis responsibilities.

381. Amend governing legislation in regard to procurement procedures and regulations.

The Administrative Code of 1929, Article XXIV, does not reflect modern purchasing procedures and techniques. The Constitution of 1874, Article III, Section 12, created restrictions on purchasing procedures which were written into law in the administrative code. Although the code has been revised periodically, it has always retained the original constitution's restrictions. However, in 1968, the constitution was rewritten in a manner which lifted these restrictions. To date, no action has been taken to update the administrative code into conformance with the new constitution.

Proposed Approach: A bill should be introduced and passed in the General Assembly at the earliest opportunity to modernize the administrative code in regard to procurement procedures and regulations. The Bureau of Purchases should begin to plan procedural revisions in line with the proposed bill's provisions to minimize the time required for implementation.

Implementation Strategy: The secretary, Department of Property and Supplies, should develop the necessary legislation and secure a sponsor. Steps should be taken to develop optimum procedural changes in line with provisions of the new bill, select implementation priorities and assign responsibilities.

382. Initiate a system to identify agency needs and usages in a consistent and timely manner to improve purchasing efficiency.

The Department of Property and Supplies neither receives nor solicits regular lists of commodity needs from state agencies. Because this information is not obtained in a consistent and timely manner, purchasing activities suffer from year-end peak work loads, excessive costs and poor vendor response.

Proposed Approach: The department should design and implement a procedure to collect lists of agency purchasing needs, inventories and usages in a consistent, timely and efficient manner. Responsibility for utilizing these lists to improve overall purchasing activities should be specifically assigned within the Bureau of Purchases. Improved work load distribution could reduce staff requirements by two buyers and four clerk-typists and decrease bid and purchase order preparation levels by 10%. The annual saving would be $131,000. An analyst and a clerk-typist would be required for system maintenance at an annual cost of $30,000 for a net annual benefit of $101,000.

Implementation Strategy: The secretary, Department of Property and Supplies, must formally establish the new procedures and solicit the cooperation of other state agencies.

383. Change dollar limits on the various categories of field purchases.

The dollar range limitations now in use were established in 1973. Since that time, inflation has caused commodity prices to escalate at a rate exceeding 10% per year. The result has been delays for agencies ordering small amounts of needed supplies, excessive paper handling and increased work loads.

Proposed Approach: Dollar limits on three categories of field purchases should be revised as follows:

- Local Purchase/Two Verbal Bids: The previous range of $50 to $100 should be increased to $50 to $150.
- Local Purchase/Two Written Bids: The $100 to $300 limit should be raised to $150 to $500.
- Local Bid/Central Award: This category is now $300 to $1,000. It should be $500 to $1,500.

Implementation will make it possible — through the reduced work load — to eliminate six clerks and one buyer for an annual saving of $62,200. There will be an additional annual saving of $40,000 in paper and mailing costs.

Implementation Strategy: The secretary, Department of Property and Supplies, should authorize the increased limits and the Bureau of Purchases should reduce its staff accordingly.

384. Establish local supply agreements for field orders of less than $100.

Although agencies are authorized to issue field limited purchase orders with a total amount of less than $300, these documents must be pre-audited by the comptroller

in the Department of Property and Supplies, Even purchases under $50 must undergo this process which produces delays in obtaining day-to-day supplies. As a result, many agencies maintain excessive inventories as a protection device. Releases against statewide contracts with fixed terms and prices are subject to similar processing requirements and delays.

Proposed Approach: The comptroller's pre-audit of field limited purchase orders should be restricted to amounts of more than $100, both for local awards and releases against state supply contracts. If this requirement is eliminated, local supply agreements could be established to provide repetitively consumed items. In effect, these would be local standing orders against which the agency could order directly from the supplier. Implementation should make it possible for agencies to reduce excess inventory stocks. As local stocks have an estimated value in excess of $10-million, a reduction of 20% would provide an additional $2-million for investment. At 6%, the additional annual income would be $120,000.

Implementation Strategy: The current pre-audit provisions should be revised by the Department of Property and Supplies and the field manual updated accordingly. Instructions should also be provided on establishing local supply agreements.

385. Revise proposal requirements to improve purchasing options.

At present, proposals are not solicited in a way which will develop optimum prices based on state requirements. For example, the Bureau of Purchases is reluctant to take possession of commodities FOB origin and make the delivery cost payable to the account of the buyer. As a result, there is no way to distinguish the cost of the commodity from the expense of transportation.

Proposed Approach: To achieve savings in the area of distribution and purchasing economics, the bureau should modify its bid proposal format to include:

- Prices both FOB origin and delivered.
- Quantity/price break points.
- Full truck load versus LTL prices where warranted by commodity classifications.

This information should be analyzed to identify the best alternative for each order prior to contract awards. As much as 2% of total purchasing volumes could be saved, but no specific amount is being claimed.

Implementation Strategy: The secretary, Department of Property and Supplies, should authorize a study to obtain and analyze pricing date and determine the feasibility of establishing a Traffic Control Bureau.

386. Revise vendor source procedures and distribute approved vendor data statewide.

The current procedure for selecting and qualifying prospective bidders is inefficient and expensive to administer. To become a qualified bidder, a vendor simply fills out an application. Once approved, the prospective bidder can be placed on as many lists as desired. Since nonresponsive bidders are not automatically culled, the lists have grown to excessive proportions. This causes much unnecessary expense in the bid solicitation process.

Proposed Approach: Several steps should be taken to ensure that procedures will produce qualified bidders:

- Convert the commodity code classification system to the federal standard. The current state system tends to mislead vendors into signing up for commodities they cannot furnish.
- Discontinue the practice of allowing vendors to decide which commodity lists they wish to apply for. The Bureau of Purchases should do the classification work, based on data supplied by the vendor.
- Inform approved vendors that three nonresponses will result in automatic removal. The practice of supplying vendors with commodity code and contract lists should be discontinued. A form letter should advise that the information is available for a service charge of $1.50 from the Bureau of Purchases.
- Revise the application form to provide for EDP storage and retrieval of vendor data. Federal employer numbers should be used for vendor identification.
- Collect data on why vendors are nonresponsive in order to correct existing problems.

Implementation would reduce preparation and processing costs for an estimated annual saving of $247,000. All agencies and departments in the state should be provided lists of approved vendors.

Implementation Strategy: The secretary of the department should assign one person to develop the necessary procedures, coordinate EDP requirements and establish an implementation timetable.

387. Establish competitive bidding procedures for all service contracts.

More than $100-million is spent by the state to buy services through the use of approximately 15,000 service purchase contracts. There are no standard practices in effect to ensure that these awards are made on a competitive basis.

Proposed Approach: To develop the necessary control over this important purchasing function, the following

limits should be established as early as possible for awarding service contracts:

- Up to $1,000: These contracts would be locally bid and awarded. Only written bids would be permitted and these would have to be opened in the presence of three department supervisors.
- From $1,000 to $5,000: Contracts would be locally bid and centrally awarded. After opening bids in the Department of Property and Supplies bid opening room, awards would be made by the persons specifically assigned to do so.
- More than $5,000: A centrally bid, centrally awarded procedure would be followed for contracts of $5,000 or more.

Implementation would require special provisions for emergency service requirements and a system to collect and analyze expenditures by location, vendor and service type. Although savings potential are significant — possibly as much as $2.25-million annually — no specific amount is being claimed.

Implementation Strategy: The department secretary should determine if legislative action is needed to implement this procedural change. A team of three procurement employees should be assigned to develop guidelines and procedures.

388. Use a standardized purchase order document which is suitable for data processing purposes.

Four documents are now used — requisitions, purchase orders, field limited and miscellaneous purchase orders. In some cases, the forms have been modified to include pre-printed department insignia or names. The result is excessive forms inventories, high printing costs and errors because of slightly different preparation requirements.

Proposed Approach: A single form should be designed to replace the four now in use. No department insignia or names should be permitted and the document should be designed so that it can be machine read or adapted to other EDP input procedures. No savings are claimed.

Implementation Strategy: The department secretary should authorize a two-man team to design and implement a suitable form.

389. Send invoices to receiving locations rather than agency comptrollers.

Slow vendor payment is a recurring complaint and results in higher prices to the state. Part of the problem is the practice of having comptrollers match all purchasing documents. Invoices cannot be processed until everything from the purchase order through the inspection report has been received and cleared.

Proposed Approach: Invoices should be sent to the receiving location which would be responsible for resolving any discrepancies with the vendor. A complete package could then be sent to the comptroller for processing. Implementation should improve the payment cycle significantly and provide better vendor relations.

Implementation Strategy: The secretary, Department Property and Supplies, should inform all other agencies of the change in procedure. The field purchasing manual should be updated accordingly.

390. Develop a statewide system to improve materials storage and distribution activities.

Although the Department of Purchasing and Supplies maintains warehouse space in Harrisburg to store agency supplies, available quantities are not sufficient to meet all needs. As a result, most agencies operate their own stockrooms and warehouses. Thus, there is widespread inventory duplication and excessive dollar investments for required maintenance. In addition, a lack of coordination in regard to distributing supplies to field locations causes undue transportation expenditures.

Proposed Approach: In an effort to identify the scope of the existing problem and to develop realistic solutions, the Governor should appoint a task force of persons experienced in the field of commercial warehousing and transportation systems. This group should develop a system to collect data relative to existing inventories, warehousing and field shipment practices. Based on analysis of this information, it should determine the feasibility of increasing the warehousing capability of the Department of Property and Supplies to eliminate agency storage. An alternative would be to expand department facilities on a regional basis and revise purchasing procedures to provide increased levels of direct shipments and authority for local purchases. If required, a state transportation system could be developed under the Department of Property and Supplies to give delivery coverage to field locations.

Implementation Strategy: The task force should be formed with an objective of identifying and implementing optimum alternatives within one year.

391. Establish multiple award contracts for road maintenance materials.

The method of awarding supply contracts for road maintenance materials is wasteful and inefficient. The bid proposal tells the vendor how much of each product will be required and where it will be used. The vendor must bid a price for each location even though all products are picked up by PennDOT and the supplier's cost is the same except for volume considerations. These prices are added to a ton/mile trucking cost established by PennDOT for shipment from the vendor to the job site. Awards are

based on the lowest lay down cost to each destination. As vendors are given the trucking costs when bidding, the result is that the closer the supplier, the higher the product cost. The major defect in this approach is simply that the trucking cost computation table does not develop real expenditures based on time elements and other factors. This lack makes the entire procedure of questionable value.

Proposed Approach: To reduce the total real cost to the state, multiple award contracts should be issued for road maintenance materials purchased FOB source and picked up in PennDOT or rented vehicles. The closest vendor would then be selected at the time each job was done. Implementation would increase hourly productivity and reduce trucking costs. The estimated annual saving at current mileage and operator levels would be \$2.47-million. There would be a one-time cost avoidance of \$1.5-million through the reduction of department truck equipment requirements.

Implementation Strategy: The secretary, Department of Property and Supplies, should authorize the Bureau of Purchases to implement the revised bidding and contract award procedures.

FOOD MANAGEMENT

Except for the 14 colleges and university, food service is state-operated in all of Pennsylvania's institutions. The continuing objective is to provide sound nutritional diets at the lowest possible cost. There are approximately 3,244 employees working in the various food service units and they prepare approximately 134,000 meals daily. Raw food costs more than \$22-million annually while the labor expenditure is about \$31-million. All food is bought through regular purchasing procedures which require bids except for emergency supplies and items secured from Correctional Industries. Each institution carries a significant inventory of foodstuffs.

RECOMMENDATIONS

392. Establish a bureau in the Department of Property and Supplies with responsibility for all food service management in the state.

There are no standardized procedures governing food service in state institutions. Each facility runs its own operation without the benefit of centralized direction. Uniform food service procedures would reduce costly duplications and waste in preparing purchase orders, bidding for food requirements and meal delivery systems. The state spends approximately \$53-million on food service each year. Fundamental improvements would provide significant savings to the state in both raw food and labor costs.

Proposed Approach: A Bureau of Food Service Management should be established in the Department of Property and Supplies. Its function would be to provide guidelines for effective, low-cost food service operations in all state facilities. The organization would consist of three divisions: Dietary; Procurement, Warehousing and Distribution; and Management Services. The Dietary Division would establish nutritional standards, special diet guidelines and uniform menus for institutional use. The Procurement, Warehousing and Distribution Division would monitor statewide purchasing activities, warehousing procedures and delivery systems needed by the institutions. The present Bureau of Government Donated Food would be incorporated into this division. The Management Services Division would be responsible for establishing labor performance standards, uniform procedures for food production including portion control and evaluations of individual operations and facilities. The annual cost of implementation is estimated at \$300,000 for a staff of approximately 12. However, the cost should be more than offset by improved efficiency in the state's food service program.

Implementation Strategy: The Governor should issue an executive order establishing the new Bureau of Food Service Management. Once organized, the bureau would be responsible for the development and distribution of food service guidelines on a statewide basis.

393. Improve productivity of food service employees in state institutions.

At present, state institutions serve 8.5% fewer meals per employee than the national average. In addition, labor costs are often higher than food expenditures in the state facilities. Unfortunately, the lack of productivity measurements makes it difficult to control payroll costs.

Proposed Approach: To effectively evaluate the productivity of food service employees, a uniform means must be developed to report the total number of meals served daily. A careful analysis must be made of actual labor requirements, methods of service and physical facilities.

Developing an optimum labor schedule and reducing present staff to meet these requirements should increase productivity and lower overall costs. Use of part-time personnel during peak periods would be one method of achieving savings. Bringing the number of meals served per employee in state hospitals up to the national average should permit a reduction of 300 positions for an annual saving of \$2.2-million.

Implementation Strategy: Responsibility for establishing a productivity improvement program should be assigned to the proposed Bureau of Food Service Management.

394. Develop standard menus based on institutional type and nutritional requirements.

Approximately 80 state institutions now plan menus individually on a daily, weekly or cycled basis. The variations make it difficult to compare food costs and nutritional values on a meaningful basis. The present system results in much duplication of effort.

Proposed Approach: The menu is a fundamental management tool which determines the equipment, supplies, labor and facilities needed in a food service operation. To establish effective control of food service costs, it will be necessary to develop a full year's menu for each of the various types of state institutions. These meal plans must be based on the age, sex and activity level of the patients or inmates. To simplify the planning effort, cycles of from six weeks to three months can be established. Utilization of standard menus will permit pre-costing of items and portions. Unless action is taken to identify and control food expenditures, a significant increase in overall cost will result.

Implementation Strategy: To put this plan into action as quickly as possible, the state should contract with a food service company to develop a year's menu, recommend portions and provide pre-cost data on each meal. The proposed Bureau of Food Service Management would be responsible for implementing standard menu use on a statewide basis.

395. Use a standard food production worksheet at all state institutions.

Although institution populations remain fairly stable and admissions or discharge data are available, little effort is made to tie meal production to this information. As a result, excess production causes waste and high food costs.

Proposed Approach: A standard food production worksheet should be used to establish meal requirements at each institution. Utilization of such a form would permit accurate analysis of food costs, production variations, waste and spoilage. Supervision should also be provided to ensure adequate portioning at all meals. Implementation should reduce overall food costs by 2% for an annual saving of $450,000.

Implementation Strategy: The managers of food service units at the various institutions should be supplied with a standard production worksheet. It should be utilized to provide proper control of food production, service and yield.

396. Reduce food inventory levels in all of the state institutions.

Food inventories at various state institutions average from three to six months' supply. The resulting investment is approximately $62,000 per state institution for a total in excess of $5-million. Purchase restrictions and time-consuming pre-audits of requisitions encourage wasteful inventory levels.

Proposed Approach: Purchase restrictions and pre-audit requirements should be modified and food inventory levels reduced to one or two months' supply. Amounts which can be expended without competitive bids should be increased from $50 to $300. Telephone bid solicitations should also be raised from $300 to $1,000. Establishing a turnover policy of six times yearly would free $2.5-million annually for investment. At 6%, the annual income would be approximately $150,000.

Implementation Strategy: A central authority for food management within the state should be created by restructuring the Bureau of Food Service Management in the Department of Property and Supplies. It would be responsible for setting proper guidelines on purchasing activities — including restrictions and pre-audit requirements. The bureau should also establish standard menu formats and a uniform procedures manual published for use by all of the institutions.

PENNSYLVANIA STATE POLICE

The Pennsylvania State Police enforces state laws, regulates highway use and qualifies drivers and motor vehicles. It assists the Department of Transportation in issuing vehicle and operator licenses and certificates of title. It aids local, federal and other state authorities in preventing and detecting crime, apprehending offenders and preserving law and order. It also provides training for about 1,500 municipal police annually.

The department has an authorized personnel complement of 4,030 enlisted and 830 civilian employees. Its present strength includes 2,936 troopers, 946 higher ranks and 811 civilian employees. The substitution of civilian employees for troopers in suitable jobs is an ongoing policy of the department. This is economical and frees skilled officers for more critical work.

The department has 15 troop headquarters and 67 stations for patrol activities. In addition, it mans a headquarters building and seven other stations on the turnpike. Its operating budget for fiscal 1975 was $103-million.

RECOMMENDATIONS

397. Combine certain proximate substations and troop commands.

All but two of the state's 67 counties have at least one State Police station. This dispersement is of many years standing but is unnecessary with today's improved highways, vehicles and communications.

Reducing the number of stations is both practical and economical, and is endorsed by the State Police. Its Bureau of Research and Development has made 10 studies since 1970, recommending consolidations. Only one of these has been implemented; another is scheduled. The others were suspended because of public and political pressures.

No valid rebuttals of the department's rationale on consolidation have been offered. There is merely a cry to preserve the protection which citizens believe results from the presence of a station in their community. This may have been true when troopers slept in the stations, but that was discontinued years ago. What is important is the number of troopers patrolling an area — and that would not change.

Six of the suspended consolidation proposals are still valid. The distance between the stations to be combined ranges from seven to 20 miles. All six of the buildings to be closed are rented, at an average annual cost of $7,340 each. Adding an overhead and the salaries of a station commander and communications personnel, total annual operating costs for each station are nearly $109,000 — a needless expenditure.

Proposed Approach: The scheduled closings of the Doylestown and Quakertown stations should be carried out as soon as possible.

Research and Development should continue its practice of evaluating the need for every station as the 15-month lead notice on its lease expiration is received. The bureau also should develop a long-range plan showing optimum locations for all stations regardless of county lines. This would avoid building new facilities in less than ideal locations. Following such a statewide plan would maximize the effective use of the Pennsylvania State Police's resources.

The six proposed consolidations should be rescheduled based on lease expirations. This means that action should be taken to close the Fern Ridge, Ephrata and Fogelsville stations this year, and the Avondale, Frackville and Kiski Valley stations in 1978. These six closings will provide annual savings exceeding $650,000. They will also produce negative public reaction, which the department must counter.

Implementation Strategy: The actual closing of a station is a simple matter which can be performed swiftly once the Governor directs the police commissioner to do so. However, past station closings have brought on strong public reaction and pressure from legislators. The department has tried to offset these protests by holding public meetings and by advance briefings of affected legislators. Though these have not proven very effective, they must be continued.

Action should be taken despite the opposition. Uninformed and prejudiced opinion should not be substituted for the department's professional research and judgment. Not only are potential savings being lost but so are the time and expense of conducting studies. Therefore, the policy should be to stand firm on achieving savings.

The commissioner should notify the Governor of each proposal and then the affected legislators. The savings should be emphasized and the relationship to an overall plan should be pointed out. It must be shown to local spokesmen that seemingly modest savings are quite significant when multiplied on a statewide basis. The argument that wages are not saved because the personnel will be used elsewhere should be refuted by the fact that released troopers will fill vacancies and would not be carried as excess. To ease citizen fears when a station is closed, the local troop commander should see that special effort is made to display the continuing presence of state police.

398. Use civilians instead of police in noncritical jobs.

The State Police has shown some progress on achieving this goal. The department estimates that its employment of civilians in place of troopers can reduce employment costs by 40%.

But, savings are illusary if the number of persons employed is allowed to increase. Although the department can curtail the hiring of cadets, dismissal of rookie troopers would be fought by the union. Therefore, the transfer of jobs from police to civilians has to occur through attrition. Average annual separations from the enlisted roster for 1973 and 1974 were 112. Those positions could be filled by civilians.

However, there is an authorized ceiling of 830 civilian jobs in the department and only 19 are presently vacant. This quota would have to be moved upward and the quota reduced for a significant changeover to occur.

Proposed Approach: The categories of police jobs suitable to civilian employment in substantial numbers are: communications equipment operators, troop maintenance and supply supervisors, driver qualification examiners and garage supervisors.

Communications positions total 311. Of these, 141 are now designated for civilians. This leaves 170 troopers who could be moved out of these jobs. Troop maintenance and supply supervisors excluding the Turnpike Division number 27. Only three are civilians, but the remainder should be. Driver qualification examiners are composed of 99 civilians and 34 troopers. All 69 garage supervisors are troopers. The total of the four categories shows 297 troopers who could be replaced. There are various other jobs, particularly in the Harrisburg headquarters, which also should be switched over.

The current average salary for a trooper is nearly $15,000. This average plus fringes for 300 positions amounts to more than $5.5-million per year. If those jobs were filled by civilians, at a 40% salary reduction, total annual savings would be at least $2.2-million.

Implementation Strategy: The major difficulty in replacing police with civilians in noncritical positions is the budget limitations on enlisted and civilian personnel. The police commissioner should request the Office of the Budget to adjust the authorized personnel levels to satisfy the needs of the program.

Attrition is slow but can be used to gradually attain indicated savings. At the current separation rate, the program could take nearly three years.

However, the present number of enlisted personnel is 88 below authorization. These vacancies should be filled at once by withdrawing troopers from the designated job categories and replacing them with civilians. The same process should be applied for the annual 100-plus openings caused by separations from the force. This would permit the supplanting of 200 troopers in the next year. The remaining 100 jobs under consideration could be converted in the second year through attrition. In the third year, some of those separated could be replaced to keep the force up to the 1975 level. At no time during the transition period would the total roster exceed the presently authorized complement of uniformed and civilian personnel.

399. Levy fees to make the motor vehicle inspection program self-supporting.

The State Police supervises the motor vehicle inspection program operated by the Department of Transportation (DOT), Bureau of Traffic Safety. There are 69 troopers designated as garage supervisors. Both the State Police and DOT's Inspection Division claim there is need for about 50% more men to cope with the present requirements of the program. However, they may have to get along with even fewer personnel because the budget provision for fiscal 1976 of $750,000 is $154,000 less than in 1975. All but $15,000 of this budget is for salaries. The use of the police vehicles is charged to patrol.

There are nearly 17,000 inspection stations, which by law, State Police must visit and audit twice a year. In addition, they annually examine and certify about 17,000 mechanics, and investigate 1,500 applications to open stations and almost 4,500 vehicle-owner complaints about inspections.

Proposed Approach: There are two ways to tackle the manpower problem: make more money available to employ additional supervisors; and reduce the supervisory work load.

To help defray costs, the state should charge an annual license fee for each inspection station. At only $25 per year, this would amount to about $418,000. In addition, fees should be charged for examining and certifying new mechanics and for opening new inspection stations. At $10 per mechanic and $50 per new station, these fees would bring in $245,000. Total additional annual revenues would amount to $663,000. That still falls short of covering the cost of the supervisory function.

However, charging for services which are now provided free will discourage applications by unqualified stations and mechanics, thereby reducing the visitation work of the garage supervisors. Their semi-annual audit visits should become annual to tie in with the proposed licensing. This would reduce manpower requirements by about 12 men, thus saving approximately $200,000 per year. There would be additional savings in police time if the station licensing fee is relevied on those that fail an inspection. Owners would then take more care to comply with standards, so the need for reinspection would drop.

Implementation Strategy: To institute these new practices, changes in the motor vehicle code are required. Such legislation would need strong political support to withstand opposition from inspection station owners and their mechanics. The police commissioner and the secretary, Department of Transportation, should jointly prepare a thorough justification of these proposals for the Governor to present to the General Assembly.

DEPARTMENT OF TRANSPORTATION

The department administers all programs relating to motor vehicles and their operation within the state. It also handles highway construction and maintenance, mass transit systems and aviation and navigation activities. Overall responsibilities encompass the development of programs for safe and adequate transportation facilities and services throughout the state. The fiscal budget for

1975 was approximately $927-million. This includes federal grants of $227-million and general funds of $81-million. Approximately 85% of PennDOT's 20,800 employees are directly engaged in highway planning, construction and maintenance. For fiscal 1976, capital highway projects will require approximately $500-million.

RECOMMENDATIONS

400. Provide fiscal resources to finance PennDOT operations.

The Motor License Fund is composed of revenues from motor license fees, operator license charges, fuel taxes, federal aid for highway construction and miscellaneous monies. It is used for highway construction and maintenance activities, licensing and safety functions, aviation and support of the State Police highway patrol. Revenues are fixed on a per-unit basis and are not sufficient to cover increased operating costs in these various areas. Borrowing from the general fund, however, is not a responsible fiscal approach to managing the highway and motor safety needs of the state. Revenues should be increased to meet department commitments.

Proposed Approach: The General Assembly must provide resources for PennDOT's operations. It is fiscally unwise to continue the current practice of financing department deficits by borrowing from the general fund. Additional revenues of approximately $150-million annually are needed. Various methods could be used such as increased vehicle and operator license fees or higher fuel taxes. Whatever means are chosen, it is desirable that they bear principally on highway users.

Implementation Strategy: The department secretary should prepare appropriate legislation for review by the Governor and submission to the General Assembly.

401. Eliminate peak staffing in inspection forces.

Capital highway projects require $500-million per year at present, but this amount will decrease steadily in the future. The Department of Transportation, with 2,200 inspectors, has been staffed to meet peak construction demands because personnel are not used efficiently. For example, summer is the period of highest construction activity, but no attempt is made to schedule vacations to more appropriate times. Effective utilization of inspectors during the winter is doubtful.

Proposed Approach: The department should be staffed to meet minimum rather than peak inspection requirements. Current and future inspection service needs should be projected and minimum manning levels set. It is estimated that 10% of the current force could be eliminated with no adverse effect on inspection activities. As construction projects decrease, additional staff reductions should be made. Guidelines should be provided to district engineers and county superintendents regarding vacations and leave time. Work absences during peak periods should be held to a minimum. A reduction of 220 positions should be possible for an annual saving of approximately $3.1-million.

Implementation Strategy: The deputy secretary, Highway Administration, should develop manning requirements and, in cooperation with the deputy chief, Engineers, necessary vacation and leave time guides. Excess inspector positions should be phased out as quickly as possible.

402. Revise maintenance work schedules.

Productivity in the highway maintenance area is poor because of the travel and set-up time required before work can begin. Scheduling a portion of the work force to work longer hours, but fewer days, would improve overall efficiency. Overtime payments required by the current labor contract might be avoided through negotiations in view of the shorter workweek.

Proposed Approach: The maintenance workers who handle manual patching, liquid bituminous surface treatments, sign maintenance, ditch cleaning and cutting unpaved shoulders should be rescheduled to a 9.5 hour day, four days a week. This policy would be in effect for approximately two-thirds of the year while daylight hours are sufficient to encompass the longer day. Implementation would increase net productive hours from 5.5 to 7.5 for each worker. The weekly increase, based on a four-day schedule, would amount to 9.1% per worker. Implementation would permit a reduction of 217 positions for a net annual saving, less overtime pay, of about $1.33-million.

Implementation Strategy: The deputy secretary, Highway Administration, should adopt a policy of variable work hours for maintenance personnel with overtime payments if necessary. A pilot program should be started in two or three counties. Full-scale implementation should be budgeted for fiscal 1976.

403. Establish fees to cover service costs related to traffic convictions.

The Operator Improvement Division of the Bureau of Traffic Safety administers more than 200 driver improvement schools throughout the state. It also reviews point and nonpoint traffic convictions. Bureau personnel conduct hearings for operators convicted of nonpoint violations and those whose records reach six points for the third time. Approximately 9,000 convictions per month result in point accumulations which require the driver to go to school.

Proposed Approach: Penalties for point and nonpoint violations should be increased to improve their effective-

ness as deterrents by establishing fees to cover the bureau's costs for its services. A charge of $10 should be authorized for attendance at driver improvement schools. Another $10 fee should be established for restoring suspended licenses. Hearings on nonpoint violations should carry a charge of $5 and, if more than one continuance is necessary, an additional fee of $25 should be assessed for each request. The total annual income to be realized would amount to $3.4-million. Interviews for drivers who accumulate six points a third time should be eliminated. Informing them of the consequences of further convictions by mail would permit an annual saving of $228,000 by eliminating associated costs.

Implementation Strategy: The Motor Vehicle Code should be amended to provide required fees and procedural changes.

404. Reduce the frequency of conducting motor vehicle inspections.

Pennsylvania is one of only nine states which requires semiannual motor vehicle inspections. The majority inspect cars on an annual basis. Fees in Pennsylvania vary due to differences in labor costs. The current range is from $5 to $10. Using an average of $6 and estimating that at least 6-million of the 7.5-million cars in the state are inspected in public stations, the annual cost to the public is $72-million. In 1974, there were 277,271 accidents reported. Vehicle failure was blamed as the prime factor in only 7,293 or 2.6% of this total.

Proposed Approach: In view of the great improvements in vehicles and highways since enactment of the law as well as the substantial cost to the public, the frequency of motor vehicle inspections should be reduced to one a year. Implementation would provide an annual saving to Pennsylvania's drivers of at least $36-million. This money could be used to cover fees for proposed emission standards inspections. More frequent checks could be required for vehicles involved in accidents or driven an excessive number of miles on a regular basis. Implementation would also enable Inspection Division personnel to devote more time to meaningful analysis of inspection reports.

Implementation Strategy: Legislation should be introduced to amend the Motor Vehicle Code. Some political pressure may be brought against the change, but it could be countered by efforts of consumer protection groups.

405. Reschedule pay periods in the Department of Transportation in order to simplify overtime calculations.

The Department of Transportation has 15,000 employees whose pay periods end on either Wednesday or Thursday. Because of this, two sets of payroll data must be used to compute overtime, increasing the amount of clerical time required to do the calculations.

Proposed Approach: Having all pay periods end at midnight on Sunday would eliminate the necessity for using two sets of payroll data. This would save 32,500 man-hours of clerical time annually. Implementation would require three months and would provide an annual saving of $161,000 through reductions of clerical staff.

Implementation Strategy: The department secretary should approve the change which will be implemented by the assistant comptroller.

BUREAU OF MOTOR VEHICLES

This bureau collects fees and issues certificates of title, license plates and renewal registrations for all motor vehicles, trailers and tractors. It also issues learners' permits and drivers' licenses and maintains records on every motor vehicle and operator in the state. In 1974, the bureau processed more than 18-million items. There are 1,007 employees. For fiscal 1975, the bureau paid more than $8.3-million in wages and collected approximately $200-million in fees.

RECOMMENDATIONS

406. Transfer the functions performed by the Department of Revenue's Motor Vehicle Sales Tax Division to the Bureau of Motor Vehicles.

Until 1971, the Bureau of Motor Vehicles was part of the Department of Revenue and collected sales taxes on vehicles. When the bureau was transferred to the Department of Transportation, these sales tax activities were retained by the Department of Revenue. The resulting division of responsibility has caused excessive paper handling, processing delays and workflow problems.

Proposed Approach: The functions of the Motor Vehicle Sales Tax Division should be transferred to the Bureau of Motor Vehicles. There would be no need to increase bureau supervisory personnel and some 15 employees involved in coding, sorting and reassembly activities could be eliminated. Personnel reductions would provide an annual saving of $150,000 in salaries and benefits.

Processing sales tax checks now requires seven working days because of the need to transfer documents between locations. With the relocation, the procedure would be carried out in one day — making sales tax revenues available for investment eight calendar days earlier. At 6%, the increase in investment income would amount to $254,000 annually, based on deposits of $193-million. Another advantage would be the ability to hold titles until sales tax discrepancies were cleared up.

Implementation Strategy: The Governor should authorize the transfer of responsibilities from the Department of Revenue to the Department of Transportation. Relocations of employees and equipment could then follow immediately.

407. Establish a cycle basis for renewing passenger vehicle registrations.

The bureau's Receiving Division processes vehicle and operator renewals after determining there are no changes in recorded information and that the correct fee is attached. The cycle basis for operator renewals ensures a steady work load of about 300,000 items per month. However, the annual renewal for vehicle registrations results in severe peak work loads especially in January. In order to meet processing requirements, the division must add temporary help every year. In the first quarter, there are three temporary employees for every two regular staff members. As training of these personnel consists of placing them next to an experienced employee, the result is inefficiency and increased potential for mistakes. The imbalance of renewals also affects work loads in other operating units — particularly the Motor License, Records and Mailing Divisions.

The unnecessary costs associated with annual renewals cannot be fully determined since the imbalance also brings periods of low utilization of regular employees. However, the expenditure for temporary staff in fiscal 1974 was $317,000 while overtime payments totaled an additional $285,000. The growing number of vehicles to be registered each year simply adds to the problems.

Proposed Approach: Balancing the processing of passenger car registrations will require rescheduling other classes of vehicles as well. The entire 8.25-million registrations must be considered in the attempt to even out the work load. The proposed target, therefore, is to schedule about 700,000 renewals per month as illustrated to the right in the table showing vehicle registrations.

To accomplish this, it will be necessary to have a transition year in which renewals will be issued for periods as short as six months and as long as 17 months. The first group, after paying a six-month registration in March, would get renewals due September 30, 1976. These would not expire until September 30, 1977. The tag would be 1977 with a sticker showing the expiration month. The fee paid in March 1976 would be half the annual amount while the rate in September would be the full charge.

Although cash flow would be reduced in fiscal 1976, this would be offset by the increase in fiscal 1977. The next group would pay for seven months in March 1976 and a full annual fee in October 1976, and so on.

TRANSITION SCHEDULE OF VEHICLE REGISTRATION

Registration Group	Last Digits of Title Number	Number of Registrations
1	*X1 & 10	710,000
2	X2 & 20	710,000
3	X3	646,000
4	X4 & 40	710,000
5	X5 & 50	710,000
6	X6	646,000
7	X7 & 70	710,000
8	X8 & 80	710,000
9	X9 & 90	710,000
10	30 & 60 & 00 All Trailers	652,000
11	Heavy Commercial Part of Light Commercial	662,000
12	Balance of Light Commercial Motorcycles	657,000
Total Year		8,233,000

*X indicates any digit, 1 through 0

This approach would mean that about 4.2-million passenger cars and 883,000 light commercial vehicles would pay a fractional fee on their present renewal dates in 1976. However, 2.8-million of these passenger cars would pay another full fee in the same year. About 700,000 passenger vehicles would remain on their present schedule while 1.56-million such cars, 324,000 motorcycles, 112,000 heavy trucks and 460,000 trailers would pay only once in 1976, but for more than a one-year fee. The longest term would be 17 months for motorcycles, but they carry the smallest fee.

Implementation should eliminate the need for temporary employees in the Receiving Division and permit regular staff reductions in this division and several other areas such as Data Entry, Records, Mailing, Motor License and Telephone Information. The total savings should be approximately $1.1-million per year. Several other states have already adopted this system successfully.

Implementation Strategy: Immediate legislative action is needed to provide for necessary changes before the new 1977 metal plates are issued. Adjustments in the bureau and a public information program can be started as soon

as the legislation is enacted. The division of passenger vehicle registrations into 10 time periods would have to be done through an arbitrary computer-controlled procedure based on the digits in the title number. This is necessary to keep quantities balanced. Specifically, the plan would work out as shown directly below in the Transition Schedule Chart.

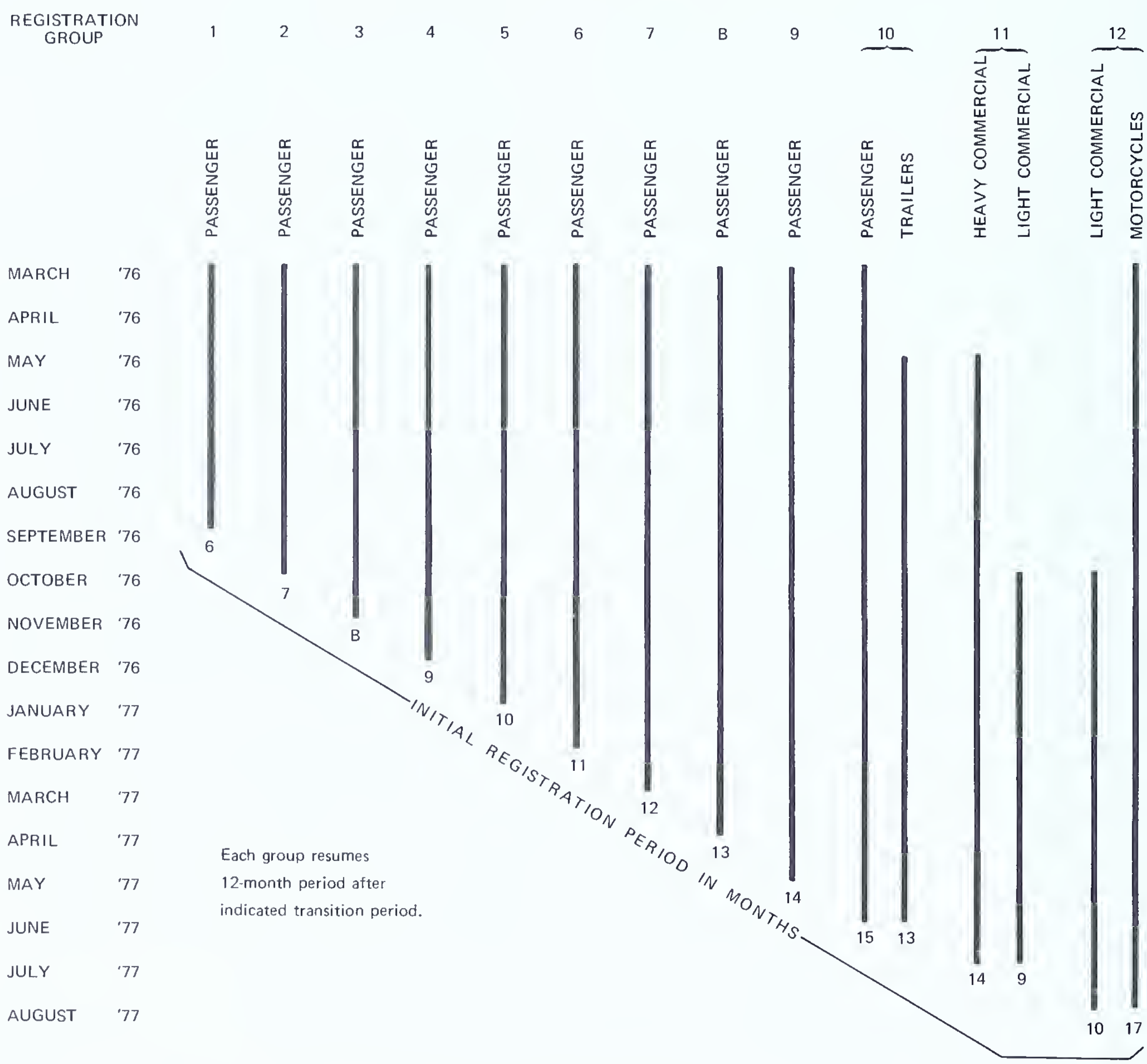
408. Prohibit the use of dealer plates on repair service or towing and wrecker vehicles.

The existing statutory policy which allows automobile dealers to purchase registration plates by paying $50 for the first and $10 for subsequent plates results in a loss of revenue to the state. This happens when the plates are used on repair service or towing and wrecker vehicles. Normally, fees for these types of vehicles are based on gross weight and range from $26 to $535. The use of a dealer plate eliminates the need to pay these charges.

Proposed Approach: The state should prohibit the use of dealer plates on repair service or towing and wrecker vehicles. Instead, gross weight requirements should be universally applied and the proper fees collected. Current dealer application forms should be redesigned so that vehicles which come under this requirement can be identified. No change in registration procedures would be made in regard to other noncommercial dealer vehicles. Implementation would provide an additional income of $325,000 per year.

Implementation Strategy: Universal application of the state law for gross weight charges on repair service or towing and wrecker vehicles should be pursued by the Bureau of Motor Vehicles. It may be necessary to amend existing statutes, but a study should be made of current registration practices. It is possible that implementation could be achieved through a change in administrative procedures.

TRANSITION SCHEDULE TO CYCLE REGISTRATIONS



409. Eliminate the free registration windows in the Motor License Division.

Four of the 44 public windows in this division are assigned for use by persons entitled to waiver of fees by the Motor Vehicle Code. Utilization at these windows is so low, employees must do minor clerical work to keep busy even when other windows have waiting lines. This is inefficient and creates a poor public image.

Proposed Approach: The free transactions should be handled as part of the regular flow of business. This would encourage these types of registrants to use the mail and would eliminate the need for three of the four clerks now manning the windows. One clerk should be retained to handle miscellaneous activities. The annual saving would be $30,000.

Implementation Strategy: The bureau director should authorize the necessary administrative procedural change and staff reduction.

410. Require express messengers to use a special delivery station and merge legislative and express services.

The practice of express messengers using public windows to process multiple registrations causes undue delay for other customers. Since clerks will not accept more than five applications from one person, the messengers simply put in five pieces and then rejoin the line. The Motor License Division provides a special service for members of the General Assembly which is similar in nature to that provided by the express messengers. Six full-time employees are required to handle the legislative service. Such specialization is inefficient.

Proposed Approach: A section of the division's public room should be set aside for licensed messengers and legislators to deliver their work. Identification numbers, prominently displayed on each item, will preserve any required priorities. Receptacles could be provided for each class of vehicle and the contents routed to the proper examining section. In addition, window clerks should limit the number of applications to three per person. Reorganizing the workflow in this manner would permit a reduction of six employees in the legislative service section and another six from the public windows. Implementation would provide an annual saving of $100,000 and should improve overall service levels.

Implementation Strategy: The new procedures should be authorized by the bureau director. An information program should be initiated to inform the association of express messengers of the advantages of the proposed system. These would include: better facilities, standardized treatment and more efficient work processing.

411. Revise processing of learners' permits.

The processing of learners' permits is unduly complicated and takes far too long. Applicants must go to the State Police for an eye exam and a family doctor for a physical. Unless the applicant is 16 or 17 years old, inquiries must be made of the National Driver Registry Service in Washington. When that clears, the Bureau of Motor Vehicles sends an application form which must be completed and returned with a $4 fee. A permit is then issued for 90 days — 120 days if the applicant plans to attend an approved driver training school.

Proposed Approach: The Bureau of Motor Vehicles could save $86,000 annually by distributing applications through State Police offices and motor clubs instead of mailing them. The form should have an attachment for the eye test and physical exam reports. Printing them on check paper would prevent alterations. By having the applicant return exam results, instead of the physician, undue processing delays could be reduced. Where no disability appeared, the applicant could expect a permit within a few days. The check with the federal clearinghouse could be done simultaneously with permit issuance. If a license suspension record did appear, the permit could be withdrawn.

By establishing permits of standard duration, the bureau could save $12,000 annually in clerical costs for sorting, filing and so on. Implementation should provide a significant service improvement.

Implementation Strategy: Legislation should be initiated by the bureau director to standardize permit durations and procedures revised to streamline the paper flow as proposed.

412. Destroy old title documents now in active files at remote location.

Old titles are being stored in 900 filing cabinets which occupy 5,200 square feet of space. They must be moved to make room for 1977 license tags. Although the bureau has begun a program of microfilming title records to conserve space, photographing the 30-million documents in question would require 40 man-years. The cost would be in excess of $400,000. Approximately 840 of the 900 cabinets house registrations from 1911 through 1963. File maintenance and information retrieval is handled by three employees. Most of the inquiries made on these and more recent title records could be more easily handled by the computer

Proposed Approach: The bureau should adopt a policy of disposing of motor vehicle titles after 10 years and trailer files after 20. This would permit immediate destruction of the records in question, except for trailer documents.

Implementation would also eliminate the need for microfilming, providing a one-time cost avoidance of $400,000. Since procedures exist for reestablishing title records, the proposed purging should cause no problems. Trailer files and permanent registrations for antique autos could be moved to the main building. Overall staff requirements would be reduced by five positions by eliminating the document searches now available. Requests for information which do not have the proper fee attached should be rejected and returned. Answering inquiries with computer printouts and accepting proof of payment in regard to license stickers which were not received would reduce personnel requirements by another two positions. This would provide an annual saving of $75,000 in salaries and benefits.

Implementation Strategy: With the concurrence of the secretary, Department of Transportation, the bureau director should implement a destruction policy in regard to motor vehicle titles prior to 1964. Computer data should be used to answer inquiries and various sections trained to respond to requests with minimum handling. Excess personnel levels should be reduced as the final phase of implementation.

SECTION VII

Digest of Recommendations

The Governor's Review – 1975

DIGEST OF RECOMMENDATIONS

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
Department of Education			
1. Reorganize the Department of Education.	Executive		
2. Assign functional responsibility for state college and university fiscal programs and activities to the comptroller in the Department of Education.	Executive		
3. Conduct a management review of state-owned and state-related colleges and universities as part of the annual state audit.	Executive	Annual Cost	$20,000
4. Establish an employee exchange program between the Department of Education and industry to foster understanding and improve operational techniques.	Executive		
5. Disburse subsidy advances to intermediate units and vocational education schools monthly.	Legislative	Annual Income	$2.4-million
6. Eliminate the state's contribution to the Public School Employees Retirement Fund for positions paid by federal funds.	Executive	Annual Saving Annual Cost (Federal)	$5.1-million $5.1-million
7. Do not award PHEAA grants for use in states which do not reciprocate with Pennsylvania.	Executive		
8. Relocate department units now housed in the Executive House and Penbrook Computer Center.	Executive		
9. Centralize negotiation and administration of all department service contracts.	Executive	Annual Saving	$1.09-million
10. Use an advancement account to pay travel advances and reimbursements to employees for incurred expenses.	Executive		
11. Eliminate the pre-audit and encumbrancing of the advice of change for field limited and miscellaneous orders.	Executive		
Office of Basic Education			
12. Eliminate the positions of assistant director and administrative assistant in the Bureau of Curriculum Services.	Executive	Annual Saving	$69,000
13. Consolidate the offices of the Bureau of Special and Compensatory Education in one location.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
14. Abolish the position of coordinator, School Social Work Services Section.	Executive	Annual Cost Avoidance	$28,000

Office of Higher Education

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
15. Review and update the Master Plan for Higher Education.	Executive		
16. Maintain a list of participants in the Act 101 program in the Office of Equal Opportunity.	Executive	Annual Saving	$66,500
17. Discontinue evaluator payments authorized for Act 101 program review.	Executive	Annual Saving	$27,600
18. Increase the teacher certification fee to $10.	Executive	Annual Income	$250,000

State-Owned Institutions

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
19. Adopt an integrated systemwide long-range planning program.	Executive	Annual Saving	$7.8-million
20. Establish performance standards for the management and administrative personnel in the state-owned colleges and university.	Executive		
21. Establish procedures for identifying and improving faculty productivity levels.	Executive	Annual Saving	$10-million
22. Accelerate the replacement of noninstructional, faculty-level administrators.	Executive	Annual Saving	$1.6-million
23. Expand the personnel function at state-owned institutions.	Executive		
24. Eliminate payment of unemployment compensation claims during summer vacation periods.	Executive	Annual Saving	$200,000
25. Do not replace teachers on sabbatical leave with equivalent-level professional instructors.	Executive	Annual Saving	$400,000
26. Implement the State College and University Budgeting System by the end of fiscal 1976.	Executive		
27. Discontinue state funding of laboratory schools.	Executive	Annual Saving	$2-million
28. Adjust the tuition basis at state-owned institutions to reflect operating costs.	Legislative	Annual Income	$17.9-million
29. Determine the actual cost of operating residence halls and adjust room fees accordingly.	Executive	Annual Income	$1.8-million
30. Standardize miscellaneous fees for state-owned schools.	Executive	Annual Income	$484,000
31. Eliminate tuition refund programs for employee dependents at state-owned institutions.	Executive	Annual Saving	$375,000
32. Develop an investment procedure to maximize the rate of return of funds held by the colleges.	Executive	Annual Income	$350,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
33. Streamline procedures for transmitting cash from the state-owned colleges and university to the Treasury Department.	Executive	Annual Income	$112,500
34. Solicit increased contributions from foundations, alumni and the federal government to supplement present income.	Executive	Annual Income	$1.5-million
35. Pay the salaries and fringe benefits for alumni directors from alumni contributions.	Executive	Annual Saving Annual Cost Avoidance	$ 90,000 $120,000
36. Establish regional computer centers to serve the state-owned institutions.	Executive	Annual Saving	$3.6-million
37. Regionalize the placement offices of the 14 state-owned colleges.	Executive	Annual Saving	$434,000
38. Enforce a uniform energy conservation program at all state-owned institutions.	Executive	Annual Saving	$500,000
39. Examine the need for automatic control and monitoring systems at state-owned institutions.	Executive		
40. Eliminate the requirement for purchase orders on items costing less than $100.	Executive	Annual Saving	$112,000
41. Publish an information booklet describing the 14 state-owned schools.	Executive	Annual Cost	$9,000
42. Reduce publishing costs for undergraduate catalogs.	Executive	Annual Saving	$50,000
Bloomsburg State College			
43. Establish a branch of a local bank on campus.	Executive	Annual Saving Annual Income	$10,000 $ 3,000
44. Require that students register cars and park them on campus.	Executive	Annual Income	$10,000
45. Sell most of the unused acreage belonging to Bloomsburg State College.	Executive		
California State College			
46. Merge the accounts payable and accounts receivable functions in the college's Purchasing Department.	Executive	Annual Saving	$24,000
47. Eliminate dormitory housemothers.	Executive	Annual Saving	$103,000
48. Do not construct the proposed library.	Executive	One-Time Cost Avoidance	$5.7-million
49. Centralize purchase and distribution of audio-visual materials.	Executive	Annual Cost Avoidance	$90,000
Cheyney State College			
50. Phase out unnecessary director positions.	Executive	Annual Saving Annual Cost Avoidance	$70,000 $67,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
51. Provide secretarial support for department chairmen and faculty.	Executive	Annual Cost Avoidance	$54,000
52. Eliminate the coordinator position in Affirmative Action and Labor Relations.	Executive	Annual Saving	$22,000
Clarion State College			
53. Extend contract custodial services to all college residence halls.	Executive	Annual Saving	$45,900
54. Contract for all refuse removal services.	Executive	Annual Saving	$10,000
East Stroudsburg State College			
55. Combine the custodial and maintenance staffs under the plant engineer.	Executive		
56. Eliminate the position of housemother.	Executive	Annual Saving	$42,100
57. Reduce the medical facilities at East Stroudsburg State College.	Executive	Annual Saving	$100,000
58. Convert vacated health center space into a dormitory.	Executive	Annual Income	$25,900
59. Apply a cost differential to dormitory housing by charging an additional $25 per semester for double occupancy.	Executive	Annual Income	$65,700
Edinboro State College			
60. Revise organizational and management practices at the Gehring Health Center.	Executive	Annual Saving Annual Income	$ 30,000 $170,000
61. Close the college's Shenango Valley Campus.	Executive	Annual Saving	$250,000
62. Sell the surplus land owned by Edinboro State College.	Executive	One-Time Income	$450,000
Indiana University			
63. Eliminate the expense of the four dormitory housemothers at the branch campuses.	Executive	Annual Saving	$39,000
64. Institute a health fee of $15 per semester for full-time students.	Executive	Annual Income	$300,000
Kutztown State College			
65. Expand the existing security force to eliminate the need for contract services.	Executive	Annual Saving One-Time Cost	$52,000 $ 9,800
66. Eliminate the position of purchasing agent.	Executive	Annual Saving	$20,000
67. Charge a fee to students and employees who use parking facilities.	Executive	Annual Income	$25,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
68. Replace service contracts for temperature control equipment with one maintenance employee and a helper.	Executive	Annual Saving	$36,900
69. Sell the surplus land owned by the state at Kutztown State College.	Executive		
Lock Haven State College			
70. Contract with Lock Haven Hospital to operate the school infirmary as an auxiliary unit.	Executive	Annual Saving	$50,000
Mansfield State College			
71. Eliminate the continuing education program at Mansfield.	Executive	Annual Saving	$48,300
72. Charge a fee for parking privileges.	Executive	Annual Income	$20,000
73. Reduce operating costs at the Doane Health Center.	Executive	Annual Saving Annual Income	$ 9,000 $64,000
74. Consolidate library facilities.	Executive	Annual Saving	$118,000
75. Improve EDP operations at Mansfield.	Executive	Annual Saving	$22,800
Millersville State College			
76. Make the health services function at Millersville self-supporting.	Executive	Annual Saving Annual Income	$ 18,000 $106,000
77. Eliminate duplicate accounting procedures.	Executive	Annual Saving	$8,000
Shippensburg State College			
78. Charge a $10 parking fee to students and college employees.	Executive	Annual Income	$25,000
Slippery Rock State College			
79. Contract for food services at Slippery Rock State College.	Executive	Annual Saving Annual Income	$224,000 $ 75,000
80. Close the north dining hall.	Executive	Annual Saving	$291,000
81. Liquidate a major portion of the excess real estate owned by the college.	Executive		
West Chester State College			
82. Consolidate the college's six schools into three.	Executive	Annual Saving	$163,000
83. Establish the position of vice president, Fiscal Affairs.	Executive	Annual Cost	$47,100
84. Substitute the position of resident director for that of housemother in residence halls.	Executive	Annual Saving	$29,500

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
State-Related Universities			
85. Improve class utilization ratios at state-related universities.	Executive	Annual Saving	$11.9-million
86. Place senatorial scholarships on a financial need or academic merit basis.	Legislative		
Lincoln University			
87. Appoint a committee to perform an in-depth study of the special problems at Lincoln.	Executive		
88. Utilize West Chester State College's computer facility instead of purchasing a dedicated time-sharing system.	Executive		
Pennsylvania State University			
89. Discontinue the Fogelsville campus and do not build the new experimental facility.	Legislative	Annual Saving One-Time Saving (State) One-Time Saving (Federal)	$426,000 $1.45-million $540,000
90. Integrate all accounting functions.	Executive	Annual Saving	$250,000
91. Reduce the cash flow cycle in the Accounts Receivable Section of the Hershey Medical Center to five days.	Executive	Annual Income	$36,000
92. Reduce the staff involved in patient invoicing and follow-up at the Hershey Medical Center.	Executive	Annual Saving	$156,000
93. Reduce the per-mile operating cost for university vehicles to $0.11.	Executive	Annual Saving	$218,000
94. Reduce staff aircraft complement.	Executive	Annual Saving One-Time Income	$44,100 $83,300
95. Increase the number of university copy centers to 12.	Executive	Annual Saving	$219,000
96. Augment maintenance forces at the Hershey Medical Center to eliminate the need for service contracts.	Executive	Annual Saving	$110,000
Temple University			
97. Eliminate the position of vice president, Personnel Services.	Executive	Annual Saving	$67,000
98. Establish an Office of Affirmative Action for the university.	Executive	Annual Saving	$35,000
99. Establish a University Consulting Services Corporation at Temple.	Executive	Annual Income	$500,000
100. Eliminate the tuition refund for faculty and staff dependents.	Executive	Annual Income	$560,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
101. Increase dormitory fees to cover the operating expenses.	Executive	Annual Income	$263,000
102. Adjust residence hall board fees to recover operating costs.	Executive	Annual Income	$114,000
103. Increase university parking fees.	Executive	Annual Income	$262,000
104. Eliminate the university subsidy for food services at the faculty club.	Executive	Annual Saving	$150,000
105. Establish a computerized inventory and asset control system, excluding the hospital.	Executive	Annual Saving	$1-million
106. Establish a central receiving facility for Temple University.	Executive	Annual Saving	$106,500
107. Consolidate the purchasing functions for the main campus and the health sciences center.	Executive	Annual Saving	$127,000

University of Pittsburgh

108. Merge Clarion's Venango Campus with the Titusville Campus of the University of Pittsburgh.	Executive	Annual Saving	$200,000
109. Establish a University Consulting Services Corporation at this institution.	Executive	Annual Income	$300,000
110. Establish a University Health Services Corporation to provide the School of Medicine with faculty services.	Executive	Annual Saving	$800,000
111. Restructure the Physical Plant Department.	Executive	Annual Saving	$190,000
112. Centralize procurement responsibilities and authority within the Purchasing Department.	Executive	Annual Saving	$55,000
113. Establish a steering committee to monitor the university's computer services.	Executive	Annual Saving	$120,000
114. Reduce copy machine expenditures by 25%.	Executive	Annual Saving	$125,000
115. Reduce the storehouse inventory in the Physical Plant Department.	Executive	One-Time Saving	$100,000
116. Reduce mail distribution on the Oakland campus to one delivery daily.	Executive	Annual Saving	$20,000
117. Improve dormitory security.	Executive	Annual Saving Annual Income One-Time Cost	$83,000 $ 7,000 $75,000
118. Make the University Press self-supporting.	Executive	Annual Income	$110,000
119. Provide in-house computerized student accounts receivable and billing services for the university's health program.	Executive	Annual Saving	$10,000
120. Implement a program to reduce lighting costs by at least 20%.	Executive	Annual Saving	$12,000

Department of Public Welfare

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
121. Strengthen the regional organization concept in order to improve service deliveries by the department.	Executive		
122. Implement an integrated statewide approach to deliver human services.	Executive	Annual Saving	$1.2-million
123. Eliminate unnecessary administrative and clerical positions in the department's subregional offices.	Executive	Annual Saving	$160,000
124. Centralize the functions of the institutional revenue agents at the regional level.	Executive	Annual Saving	$932,000
125. Centralize the purchasing functions for the Department of Public Welfare in each of its four regions.	Executive	Annual Saving	$1-million
126. Eliminate the building construction engineers in the regional offices.	Executive	Annual Saving	$110,000
127. Improve administration of the job/position classification system in the Department of Public Welfare.	Executive		
128. Advance funds to counties for welfare programs on a monthly rather than quarterly basis.	Legislative	Annual Income	$595,000
129. Utilize a fee-for-service reimbursement system exclusively for social care providers.	Executive	Annual Saving (State)	$1.3-million
		Annual Saving (Federal)	$6.7-million
130. Develop procedures to prevent loss of income due to inappropriate implementation of a federal court decision.	Executive		
131. Amend governing legislation to reinstate appropriate financial liability for relatives of MH/MR patients over age 18.	Legislative	Annual Income	$5-million
132. Establish a management advisory board for SPIASU.	Executive		
133. Centralize SPIASU's reporting and billing functions in Harrisburg.	Executive		
134. Expand the concept of joint utilization of institutional support services statewide.	Executive	Annual Saving (State)	$3.2-million
		Annual Saving (Federal)	$1.1-million
		One-Time Saving (State)	$3.2-million
		One-Time Saving (Federal)	$1.1-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
135. Establish a central index and library function covering all research reports, studies and surveys pertaining to human social services delivery and administration.	Executive		

Income Maintenance

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
136. Make the County Boards of Assistance advisory rather than administrative bodies.	Legislative		
137. Consolidate County Boards of Assistance wherever possible.	Legislative	Annual Saving (State)	$2.6-million
		Annual Saving (Federal)	$2-million
138. Eliminate excess staff in county board offices.	Executive	Annual Saving	$2.2-million
139. Rewrite the public assistance manual into a simpler, more usable format.	Executive	Annual Saving (State)	$780,000
		Annual Saving (Federal)	$520,000
		One-Time Cost (State)	$ 80,000
		One-Time Cost (Federal)	$ 60,000
140. Install an EDP system fro public assistance with terminals in county board of assistance offices.	Executive	Annual Saving (State)	$275,000
		Annual Saving (Federal)	$220,000
		One-Time Cost (State)	$140,000
		One-Time Cost (Federal)	$100,000
141. Issue public assistance checks on a monthly rather than semimonthly basis.	Executive	Annual Saving (State)	$3.07-million
		Annual Saving (Federal)	$2.31-million
142. Expand the direct delivery system for public assistance checks in Philadephia, Allegheny and Bucks Counties.	Executive	Annual Saving (State)	$737,000
		Annual Saving (Federal)	$553,000
143. Improve space layouts for county board offices to increase staff efficiency.	Executive	Annual Saving (State)	$323,000
		Annual Saving (Federal)	$244,000
		One-Time Cost (State)	$ 25,100
		One-Time Cost (Federal)	$ 18,100

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
144. Develop comprehensive medical assistance audit capabilities to prevent abuses and ensure proper administration.	Executive	Annual Saving	$4.8-million
145. Implement a new system for processing medical assistance payments.	Executive	Annual Saving (State)	$1.35-million
		Annual Saving (Federal)	$1.02-million
146. Determine the feasibility of contracting with a private corporation to administer the Medicaid program.	Executive		

State Mental Health and Mental Retardation Institutions

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
147. Develop a comprehensive MH/MR plan which specifies facility consolidations within the service framework mandated by the MH/MR Act.	Executive		
148. Combine the annual budget appropriations for all of the institutional and community MH/MR programs.	Legislative		
149. Establish a procedure to transfer state MH/MR employees from state to county programs.	Legislative		
150. Eliminate the current boundary defining of regional and catchment areas for state MH/MR institutions.	Executive		
151. Fund privately owned MR interim-care facilities as a part of the human services delivery system.	Executive	Annual Cost	$5.73-million
152. Transfer patients and staff at Somerset State Hospital to other institutions.	Executive	Annual Saving (State)	$1.33-million
		Annual Saving (Federal)	$1.12-million
		One-Time Cost Avoidance	$1.75-million
		One-Time Cost	$492,000
153. Transfer residents and staff at Laurelton State School and Hospital to Selinsgrove.	Executive	Annual Saving (State)	$3.1-million
		Annual Saving (Federal)	$2.1-million
		One-Time Cost Avoidance	$1.7-million
		One-Time Cost	$122,000
154. Phase down South Mountain Restoration Center.	Executive	Annual Saving (State)	$2.17-million
		Annual Saving (Federal)	$1.52-million
		One-Time Cost Avoidance (State)	$1-million
		One-Time Cost (State)	$1.85-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
155. Close all of the obsolete and unneeded MH/MR institutions.	Executive	Annual Saving (State) Annual Saving (Federal)	$6-million $6.5-million
156. Unify management responsibilities for the Southeastern State School and Hospital, increase the client population and reduce operating costs.	Executive	Annual Saving Annual Income Annual Cost Avoidance One-Time Cost	$1.75-million $1.24-million $1.29-million $620,000
157. Take immediate steps to bring Embreeville State Hospital up to full utilization.	Executive	Annual Income	$1.86-million
158. Establish Eastern Pennsylvania Psychiatric Institute as a private facility.	Legislative	Annual Saving	$3.2-million
159. Phase out remaining drug and alcohol units at mental health institutions.	Executive	Annual Saving	$336,000
160. Transfer responsibility for the operations and patients of the Mayview Outpatient Clinic from Mayview to Allegheny County.	Executive	Annual Saving	$18,700
161. Eliminate the legal requirement that the superintendent of a state mental health institution be a licensed physician.	Legislative		
162. Eliminate unnecessary telephone operator functions at MH/MR institutions.	Executive	Annual Saving	$621,000
163. Evaluate the effectiveness of research projects at state MH/MR institutions.	Executive		
164. Establish controls to monitor the effectiveness of recreational, vocational and occupational therapy programs in state MH/MR hospitals.	Executive		
165. Maintain centralized control over training and education programs for patients at the state institutions.	Executive		
166. Extend the intensive resident training program for self-feeding to all MR institutions.	Executive	Annual Saving One-Time Cost	$1.2-million $43,000
167. Provide monetary incentives to induce the private sector to meet care needs for patients who no longer require or need state mental health institutionalization.	Executive	Annual Saving (State) Annual Saving (Federal)	$5.12-million $1.7-million
168. Inspect and license all MH/MR programs provided by various facilities in the state.	Legislative		
169. Reduce the number of cost centers in state MH/MR institutions.	Executive		
170. Install a performance standards accounting and reporting system for all of the state MH/MR institutions.	Executive	Annual Saving (State) Annual Saving (Federal)	$4.4-million $1.5-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
171. Charge prices in each employee cafeteria sufficient to recover costs of operating the facility.	Executive	Annual Income	$1.16-million
172. Close and demolish obsolete buildings at state MH/MR institutions.	Executive	One-Time Cost Avoidance One-Time Cost	$10-million $4.5-million
173. Request waivers from HEW on certain regulations in the Life Safety Code.	Executive	One-Time Cost Avoidance	$32-million
174. Eliminate farm operations at state MH/MR institutions and sell the land.	Executive	Annual Saving One-Time Income	$1.78-million $1.4-million
175. Lease unused space in state MH/MR hospitals to state agencies, counties or other government bodies.	Executive		
176. Implement an EDP system at the MH/MR institutions for all administrative and patient/resident records.	Executive	Annual Saving One-Time Cost	$1.87-million $245,000
177. Implement a computerized durg inventory system for MH/MR institutions.	Executive	Annual Saving One-Time Cost	$612,000 $150,000
178. Consolidate laundry facilities for appropriate institutions.	Executive	Annual Saving One-Time Income One-Time Cost	$409,000 $ 50,000 $120,000
179. Eliminate unnecessary stores inventory records at the department's institutions.	Executive	Annual Saving	$355,000
180. Close print shops at MH/MR institutions.	Executive	Annual Saving One-Time Income	$300,000 $ 10,000
181. Install zone heating with automatic controls in institution buildings.	Executive	Annual Saving One-Time Cost	$404,000 $619,000

Department of Health

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
182. Eliminate four regional health offices and commissioners.	Executive	Annual Saving	$330,000
183. Reduce the clerical personnel in the department's district offices and health centers.	Executive	Annual Saving (State) Annual Saving (Federal)	$475,000 $185,000
184. Discontinue surgery at Elizabethtown Hospital for Children and Youth.	Executive	Annual Saving	$203,000
185. Negotiate more favorable physicians' agreements or dissolve the Donolow Memorial Center when the current contract ends.	Executive	Annual Income	$40,000
186. Provide certified copies of vital statistics with an automated retrieval/preparation system and increase fees to recover operating costs.	Executive	Annual Saving Annual Income Annual Cost Avoidance One-Time Cost	$185,000 $837,000 $175,000 $150,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
187. Contract with private laboratories to perform tests not mandated to state facilities.	Executive	Annual Saving	$830,000
188. Establish inventory controls for Bureau of Laboratories' supplies.	Executive		
189. Require wholesalers to distribute drugs and devices only to licensed retailers.	Legislative	Annual Income One-Time Cost	$145,000 $ 4,000

State General Hospitals

190. Discontinue state support and operations at the nine state general hospitals.	Legislative	Annual Saving One-Time Cost	$9.25-million $950,000
191. Develop a staffing pattern and position requirements for nursing personnel in the state general hospitals.	Executive	Annual Saving	$500,000
192. Close the nursing schools in four state general hospitals.	Executive	Annual Saving	$1.25-million
193. Establish a temporary, decentralized fiscal management information system at the state general hospitals.	Executive	Annual Cost	$6,300
194. Use the income and/or principal from its trusts and bequests for the benefit of Connellsville State General Hospital.	Executive	Annual Income One-Time Income	$ 35,000 $330,000

Department of Justice

195. Clarify responsibilities of assistant attorneys general assigned to state agencies.	Executive		
196. Improve collection procedures for delinquent accounts due the state.	Executive	Annual Income	$2.7-million
197. Terminate the EDP contract with Camp Hill.	Executive	Annual Income One-Time Cost	$7,500 $4,500

Correctional Institutions

198. Revise the organization structure of the Bureau of Correction to ensure effective delivery of correctional services.	Legislative	Annual Saving	$2.52-million
199. Consolidate diagnostic and classification assessment activities for incoming inmates.	Executive	Annual Saving	$228,000
200. Replace existing training academies with one central facility.	Executive	Annual Saving	$150,000
201. Eliminate Department of Education principals at each correctional institution.	Executive	Annual Saving	$218,000
202. Establish equitable personnel policies and procedures for all correctional institutions.	Executive	Annual Saving	$161,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
203. Require corrections officers and matrons to retire at age 60 and to undergo annual physical examinations beginning at age 40.	Legislative		
204. Reduce the amount of overtime worked by corrections officers at the various state correctional institutions.	Executive	Annual Saving	$1.11-million
205. Improve administrative and fiscal control of community service centers.	Executive		
206. Eliminate the free meals for the bureau's institutional employees.	Executive	Annual Income	$745,000
207. Increase commissary prices and use the income to defray inmate mailing costs.	Executive	Annual Saving	$84,000
208. Cancel plans to construct a new maximum security treatment facility.	Executive	Annual Saving One-Time Cost Avoidance	$450,000 $600,000

Correctional Industries

209. Reorganize Correctional Industries to improve its efficiency and effectiveness.	Executive	Annual Saving	$1.75-million
210. Phase out the data processing center at Camp Hill.	Executive	Annual Saving Annual Cost Avoidance	$83,500 $18,000

Youth Development Centers and Forestry Camps

211. Establish a manpower and cost control coordinator for the Youth Development Centers and Youth Forestry Camps.	Executive		
212. Establish standards for use of counselors versus houseparents for Youth Development Centers and Youth Forestry Camps based on student populations.	Executive	Annual Saving	$500,000
213. Reduce excess clerical and administrative staff at the Cornwells Heights Youth Development Center.	Executive	Annual Saving	$207,000
214. Reduce student vandalism at Cornwells Heights.	Executive	Annual Saving	$200,000
215. Modify an appropriate MH/MR facility for use by juveniles committed to Camp Hill.	Executive	One-Time Cost Avoidance One-Time Cost	$13.7-million $500,000
216. Require counties to contribute to the maintenance of each juvenile admitted to a Youth Development Center or Youth Forestry Camp.	Legislative	Annual Saving	$4.6-million
217. Purchase standard-issue clothing for students from an approved list of vendors on a bid basis.	Executive	Annual Saving	$60,000
218. Use commercial laundry services at the New Castle Youth Development Center.	Executive	Annual Saving	$34,500

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
Personnel and Labor Relations			
219. Merge functions of the Civil Service Commission, Bureau of Personnel and Bureau of Labor Relations into one cabinet-level Department of Employee Relations.	Legislative	Annual Saving	$500,000
220. Revise Public Employe Relations Act 195 for greater protection of public interests.	Legislative		
221. Provide effective management training programs for state personnel.	Executive		
222. Develop and conduct a management training program on administering labor agreements and policies.	Executive		
223. Eliminate supervisory personnel from employee bargaining units.	Executive		
224. Implement completed position classification studies and continue classification reviews.	Executive		
225. Implement an improved performance evaluation system for judging all levels of supervisory personnel.	Executive		
226. Implement an improved performance evaluation procedure for nonsupervisory employees.	Executive		
227. Implement effective exit interview techniques.	Executive		
228. Absorb patronage jobs protected by labor agreements into the merit system.	Legislative		
229. Establish a procedure to certify provisional appointees to permanent civil service status.	Executive		
230. Ensure that all future union contracts contain language stopping payment or accrual of benefits during any strike.	Executive		
231. Ban first-level supervisors from membership in any unit connected to a bargaining unit for public employees other than those for first-level supervisors.	Legislative		
232. Implement an information system to monitor employee punctuality and use of sick leave and personal days.	Executive	Annual Saving	$2.2-million
233. Design an information retrieval system to monitor the administration of union agreements and labor relations policies by state agencies.	Executive		
234. Establish a reporting system to control the number of provisional civil service employees and, where necessary, to request continuations of nonmerit system staff on a timely basis.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
235. Provide computer-derived random sets of questions in printout forms ready for reproduction as examinations.	Executive	Annual Saving One-Time Cost	$120,000 $ 10,000
236. Establish civil service testing locations and eligibility lists on a geographical basis.	Executive	Annual Saving	$500,000
237. Use optical scanning equipment to examine civil service applications.	Executive	Annual Saving	$200,000
238. Reduce the seven-year retention period for application documents.	Legislative	Annual Cost Avoidance	$8,100
239. Reduce the time required to verify candidate qualifications for civil service positions.	Executive		
240. Provide adequate office space and privacy for professional personnel in the Bureau of Labor Relations.	Executive		

Organizational Effectiveness

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
241. Establish a position of state manager to coordinate all centralized, functional support operations and authorize an in-depth organizational study of Executive Branch operations.	Executive	Annual Cost One-Time Cost	$118,000 $190,000
242. Strengthen regionalization efforts to improve the state's service delivery system.	Executive		
243. Improve coordination of statewide inspection functions.	Executive	Annual Saving	$4-million
244. Reorganize the Bureau of Professional and Occupational Affairs to handle licensing and administrative functions of the licensing boards more efficiently.	Executive	Annual Saving	$158,000
245. Strengthen management services functions at the department level and in the Bureau of Management Services to improve effectiveness.	Executive		
246. Strengthen the state's internal consulting capabilities to reduce dependence on outside support.	Executive	Annual Saving	$233,000
247. Provide abstracts of all agency studies.	Executive		
248. Implement procedures to reduce utilization of contract stenographers at hearings.	Executive	Annual Saving	$50,000
249. Use key item reporting to improve the effectiveness of agency data submitted to the Governor's Office.	Executive		
250. Terminate specific inactive or obsolute commissions, foundations and task forces.	Legislative		

	RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
251.	Conduct an annual review to determine the continued need for all boards, commissions, councils, authorities and task forces.	Legislative		
252.	Develop a system to coordinate volunteer services to meet specific agency needs.	Executive	Annual Saving	$240,000
253.	Use ratio analyses to identify significant variations in agency staffing patterns.	Executive		
254.	Establish a statewide policy regarding personal secretaries and an effective control system to monitor this policy.	Executive	Annual Saving	$1.2-million
255.	Centralize responsibility for development and implementation of state affirmative action policies.	Executive	Annual Saving	$320,000
256.	Enforce and expand the management directive on organization requests.	Executive		

Productivity

257.	Develop and apply productivity measurement techniques on a statewide basis and implement a productivity improvement program.	Legislative		
258.	Design and implement an effective statewide program of management by objectives.	Executive		
259.	Develop and implement a practical non-financial incentive program for managers of commonwealth activities.	Executive		

Department of Labor and Industry

260.	Relocate the main office of the State Workmen's Insurance Fund and eliminate four branch operations.	Executive	Annual Saving	$474,000
261.	Eliminate 13 disability claims adjudicator positions and fill nine clerical vacancies in the Disability Determination Division.	Executive	Annual Saving (Federal)	$79,000
262.	Establish a utilization review committee at the Pennsylvania Rehabilitation Center in Johnstown.	Executive		
263.	Abolish the social security contribution fund and transfer the account balance to the general fund.	Legislative	One-Time Income	$7.5-million
264.	Assess workmen's compensation carriers and self-insurers for administrative costs of the program.	Legislative	Annual Income	$4.3-million

	RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
265.	Increase processing fees for workmen's compensation self-insurance requests.	Legislative	Annual Income	$31,000
266.	Establish a fee schedule for boiler installation reviews.	Legislative	Annual Income	$24,000
267.	Request changes in federal law which require black lung claimants to file with the state in order to perfect federal claims.	Executive		
268.	Require recipients of black lung payments to file an annual affidavit of eligibility.	Executive		
269.	Change nursing home contract expiration dates to eliminate overtime requirements in the Division of Nursing Homes and Hospitals.	Executive	Annual Cost Avoidance	$8,000
270.	Obtain federal approval to allocate a portion of department overhead expenses to the Bureau of Employment Security.	Executive	Annual Income One-Time Income	$28,500 $60,000
271.	Mail minimum wage documents only to architects of public building projects.	Executive	Annual Saving	$208,000
272.	Computerize the prevailing minimum wage service.	Executive	Annual Saving One-Time Cost	$19,000 $ 5,000
273.	Eliminate hard-copy storage through use of microfilm in the Bureau of Occupational Injury and Disease Compensation.	Executive	Annual Saving One-Time Cost	$39,000 $40,000

Department of Environmental Resources

274.	Implement an environmental master plan.	Executive		
275.	Reduce the duplication of activities which now exists among federal, state and county environmental agencies.	Executive		
276.	Abolish the Office of Deep Mine Safety.	Executive	Annual Saving	$256,000
277.	Establish a Bureau of State Mineral Management in the department.	Executive	Annual Income	$12.5-million
278.	Implement a manpower loading and scheduling system to improve coordination of applications for permits and increase the effectiveness of technical personnel.	Executive	Annual Saving	$1.25-million
279.	Install a uniform application processing system throughout the department.	Executive	Annual Saving	$800,000
280.	Accelerate the timber management program.	Executive	Annual Income	$50,000
281.	Increase license fees for well drillers.	Legislative	Annual Income	$8,600
282.	Develop a plan to upgrade obsolete heavy construction equipment.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
283. Cancel current plans to install a "front-end" processor in the Department of Environmental Resources.	Executive	Annual Cost Avoidance	$88,500
284. Utilize CMIC facilities to analyze data from the Department of Environmental Resources.	Executive	Annual Cost Avoidance	$70,000

Department of Agriculture

285. Abolish the Milk Marketing Board.	Legislative	Annual Saving	$300,000
286. Take action to make the State Farm Show Complex self-supporting.	Executive	Annual Saving	$300,000
287. Recover costs of certain laboratory tests made for department clients.	Executive	Annual Income	$250,000
288. Upgrade EDP equipment to handle information now stored on cards.	Executive	Annual Saving One-Time Cost	$35,600 $40,000

Public Utilities Commission

289. Permit all bureaus to report directly to the secretary of the Public Utilities Commission.	Executive		
290. Assess contract carriers a pro rata share of administrative expenses incurred by the Public Utilities Commission.	Legislative		
291. Increase fees charged by the Bureaus of Transportation and Rates and Research for the services they provide.	Legislative		
292. Increase fine amounts and provide for cost assessments by amending governing statutes.	Legislative		

Office of Administration

293. Reorganize the Office of Administration.	Executive		

Department of Revenue

294. Reorganize the Department of Revenue along functional lines.	Executive	Annual Saving Annual Income One-Time Cost	$ 5.6-million $19.4-million $500,000
295. Reorganize and improve the inheritance tax collection function.	Executive	Annual Saving	$1.6-million
296. Reduce excess staff at the Property Tax Assistance Bureau.	Executive	Annual Saving	$337,000
297. Establish an independent audit function to monitor the Bureau of State Lotteries.	Executive	Annual Cost	$30,000
298. Eliminate the department's personnel information system.	Executive	Annual Saving	$24,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
299. Match information on wages, interest and dividend payments from individual federal income tax returns with Pennsylvania returns.	Executive	Annual Income	$700,000

Pension Plans

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
300. Create a permanent Pennsylvania Retirement Study Commission.	Legislative		
301. Change board selection methods from elective to appointive.	Legislative	Annual Saving	$60,000
302. Merge the state and school employees' retirement systems.	Executive		
303. Freeze benefits under the state and school employees' retirement systems pending a study.	Executive		
304. Amend the state and school retirement systems so that employee contributions are eliminated.	Legislative		
305. Implement a comprehensive communications program in regard to employee benefits.	Executive		
306. Improve the financial condition of the two retirement systems.	Executive		
307. Review benefit formulas of both retirement systems to include social security payments.	Legislative		
308. Establish a maximum total retirement income benefit for present and future state employees.	Legislative		
309. Require new employees to wait one year before joining the retirement programs.	Legislative		

Cash Management

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
310. Establish a cash management function for the state.	Executive	Annual Saving Annual Income	$160,000 $3-million
311. Increase state interest rate to 9% and raise the penalties for late payments and bad checks.	Legislative	Annual Saving Annual Income	$2,000 $1.5-million
312. Improve cash receipt methods.	Executive	Annual Income	$400,000
313. Substitute accounting entries for checks covering payroll withholdings.	Executive	Annual Saving Annual Income	$ 50,000 $400,000
314. Automate certain procedures in the Bureau of Property Tax Assistance.	Executive	Annual Saving One-Time Cost	$132,000 $ 75,000

Accounting and Reporting

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
315. Reorganize all fiscal and comptroller activities under the Governor's jurisdiction.	Executive	Annual Saving	$2.68-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
316. Use output units as performance measurements in developing department program budgets.	Executive	One-Time Cost	$50,000
317. Develop impact measurement for all programs included in the state budgeting system.	Executive		
318. Require agencies to return unused appropriation amounts to surplus at the end of each fiscal quarter.	Executive		
319. Increase license fees in the Bureau of Professional and Occupational Affairs to cover operating expenses.	Legislative	Annual Income	$353,000
320. Require that travel expenditures be justified.	Executive		
321. Document detailed office budget procedures in the Office of the Budget.	Executive		
322. Establish and implement an effective budget preparation schedule.	Executive	Annual Saving	$10,000
323. Improve internal budget procedures for the Office of the Budget	Executive		
324. Improve the efficiency of the state's payroll and personnel systems.	Executive	Annual Saving One-Time Cost	$10.7-million $320,000

Investments

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
325. Establish a position of investment advisor in the Office of Administration.	Executive	Annual Cost	$75,000
326. Combine the cash in designated funds for investment purposes under the guidance of two financial managers.	Executive	Annual Income Annual Cost	$785,000 $200,000
327. Obtain diversified advice on stock, bond and mortgage investments for the state's two major retirement funds.	Executive		
328. Establish professional performance measurements for the retirement funds.	Executive		
329. Contract annually for professional advice on the best potential allocation of assets to be invested in stocks, bonds, mortgages and other available investments.	Executive	Annual Income	$75,000

Data Processing

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
330. Consolidate selected EDP functions.	Executive	Annual Saving	$3.25-million
331. Expand EDP position definitions and salary ranges to more competitive levels.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
332. Provide on-line program documentation, maintenance and compilation/execution for major computer systems.	Executive	Annual Saving (State)	$477,000
		Annual Saving (Federal)	$ 37,000
		One-Time Cost (State)	$103,000
		One-Time Cost (Federal)	$ 48,000
333. Implement a short-term management project to provide better service to the licensing boards.	Executive	Annual Saving	$101,000
		One-Time Cost	$115,000

Liquor Control Board

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
334. Reduce staff levels at state stores.	Executive	Annual Saving	$1.6-million
		One-Time Cost	$10,000
335. Reduce staff levels in bureaus other than State Stores.	Executive	Annual Saving	$260,000
		One-Time Cost	$ 50,000
336. Increase license and special permit fees.	Legislative	Annual Income	$1-million
337. Establish transfer taxes based on the sale price of a retail liquor license.	Legislative	Annual Income	$300,000
338. Eliminate subwarehouse operations.	Executive	Annual Saving	$720,000
339. Eliminate bottle reclaiming operations.	Executive	Annual Saving	$100,000
340. Require licensees to purchase liquor in full case lots from wholesale-only stores.	Executive	Annual Saving	$50,000

Department of Property and Supplies

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
341. Establish a centralized building construction function in the new Department of General Services.	Legislative	Annual Cost Avoidance	$10-million
342. Expand the authority of the proposed building construction organization in the Department of General Services in regard to public schools.	Legislative	Annual Cost Avoidance	$40-million
343. Update engineering standards.	Executive	Annual Cost Avoidance	$ 20,000
		One-Time Cost Avoidance	$100,000
344. Improve the design criteria for state building construction projects.	Executive		
345. Improve the administrative procedures for all phases of capital building projects.	Executive		
346. Restructure the Bureau of Real Estate as a division reporting to the Bureau of Space and Facilities Management.	Executive	Annual Saving	$5-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
347. Establish a Real Estate Management Section within the Bureau of Real Estate.	Legislative	One-Time Income	$28.9-million
348. Sell surplus land at the Philadelphia State Hospital for not less than the appraised value.	Legislative	One-Time Income	$29-million
349. Eliminate the six field representatives in the Bureau of Real Estate.	Executive	Annual Saving	$79,000
350. Consolidate the Bureau of Management Services' Warehouse Division with the Bureau of Surplus Property.	Executive	Annual Saving	$44,000
351. Eliminate three positions from the storeroom in the Bureau of Grounds and Buildings.	Executive	Annual Saving	$32,000
352. Incorporate all security forces employed by the state under the Capitol Police Force.	Executive	Annual Saving	$122,000
353. Charge all state employees $20 monthly for parking.	Executive	Annual Income	$1.02-million
354. Self-insure state motor vehicles.	Executive	Annual Saving	$607,000
355. Self-insure miscellaneous liabilities up to a $300,000 limit.	Executive	Annual Saving	$90,700
356. Renegotiate several basic provisions of the state's group life insurance policy.	Executive	Annual Saving Annual Income	$1.09-million $20,400
357. Improve administrative procedures for the health insurance program and transfer responsibility for employee benefits to the Bureau of Insurance.	Executive	Annual Saving	$1.04-million
358. Reduce the number of purchase requisitions initiated and generated in the Bureau of Grounds and Buildings.	Executive	Annual Saving	$11,000
359. Reduce outisde service contract expenditures.	Executive	Annual Saving One-Time Cost	$89,800 $ 3,000
360. Reduce the number of invitation-to-bid copies sent to vendors from three to one.	Executive	Annual Saving	$169,000
361. Group 10 or more people on flights to the same destination.	Executive	Annual Saving	$93,000
362. Reduce the frequency of public sales at the Surplus State Property Division warehouse.	Executive	Annual Saving	$9,300
363. Reduce custodial costs.	Executive	Annual Saving	$722,000

Facilities Operation and Maintenance

364. Standardize physical plant procedures and establish organizational guidelines at all state-owned institutions.	Executive	Annual Saving	$4-million

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
365. Centralize responsibility for the energy conservation program in the Department of General Services.	Executive	Annual Saving	$2.5-million
366. Use computerized power demand control in capitol complex facilities.	Executive	Annual Saving One-Time Cost	$56,000 $30,000
367. Use lowest cost coal in the heating plants.	Executive	Annual Saving One-Time Cost	$4-million $1.8-million

Motor Vehicle Fleet Management

368. Consolidate responsibility for all state motor vehicles within the Department of Property and Supplies.	Executive	Annual Saving One-Time Cost	$810,000 $ 36,000
369. Use existing state-owned motor vehicle repair facilities for all state vehicles.	Executive	Annual Saving	$804,000
370. Reduce the number of motor vehicles in state fleets to conform with actual need.	Executive	Annual Saving	$504,000
371. Institute an energy conservation program.	Executive	Annual Saving	$1.5-million
372. Revise specifications for passenger vehicles.	Executive	Annual Saving	$1.4-million
373. Mark passenger cars so they may be readily identified as state vehicles.	Executive	Annual Saving	$163,000

Office Systems and Operations

374. Adopt a management program to improve administrative and paperwork systems.	Executive		
375. Improve control and utilization of copy equipment and employ competitive bidding practices.	Executive	Annual Saving	$1.6-million
376. Purchase duplicating equipment for two-sided copying.	Executive	Annual Saving One-Time Cost	$340,000 $375,000
377. Employ competitive bidding for all graphics paper purchases and establish efficient inventory controls and levels.	Executive	Annual Saving	$425,000

Procurement

378. Locate all Bureau of Purchases offices on the same floor of the North Office Building.	Executive	Annual Saving One-Time Cost	$64,000 $50,000
379. Reduce the field inspection function in the Bureau of Standards.	Executive	Annual Saving	$136,000
380. Implement a series of management information reports that identify various aspects of the purchasing activity.	Executive		

	RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
381.	Amend governing legislation in regard to procurement procedures and regulations.	Legislative		
382.	Initiate a system to identify agency needs and usages in a consistent and timely manner to improve purchasing efficiency.	Executive	Annual Saving	$101,000
383.	Change dollar limits on the various categories of field purchases.	Executive	Annual Saving	$102,000
384.	Establish local supply agreements for field orders of less than $100.	Executive	Annual Income	$120,000
385.	Revise proposal requirements to improve purchasing options.	Executive		
386.	Revise vendor source procedures and distribute approved vendor data statewide.	Executive	Annual Saving	$247,000
387.	Establish competitive bidding procedures for all service contracts.	Executive		
388.	Use a standardized purchase order document which is suitable for data processing purposes.	Executive		
389.	Send invoices to receiving locations rather than agency comptrollers.	Executive		
390.	Develop a statewide system to improve materials storage and distribution activities.	Executive		
391.	Establish multiple award contracts for road maintenance materials.	Executive	Annual Saving One-Time Cost Avoidance	$2.47-million $1.5-million

Food Management

392.	Establish a bureau in the Department of Property and Supplies with responsibility for all food service management in the state.	Executive	Annual Cost	$300,000
393.	Improve productivity of food service employees in state institutions.	Executive	Annual Saving	$2.2-million
394.	Develop standard menus based on institutional type and nutritional requirements.	Executive		
395.	Use a standard food production worksheet at all state institutions.	Executive	Annual Saving	$450,000
396.	Reduce food inventory levels in all of the state institutions.	Executive	Annual Income	$150,000

Pennsylvania State Police

397.	Combine certain proximate substations and troop commands.	Executive	Annual Saving	$650,000
398.	Use civilians instead of police in noncritical jobs.	Executive	Annual Saving	$2.2-million

	RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
399.	Levy fees to make the motor vehicle inspection program self-supporting.	Legislative	Annual Saving Annual Income	$200,000 $663,000

Department of Transportation

400.	Provide fiscal resources to finance PennDOT orperations.	Legislative		
401.	Eliminate peak staffing in inspection forces.	Executive	Annual Saving	$3.1-million
402.	Revise maintenance work schedules.	Executive	Annual Saving	$1.33-million
403.	Establish fees to cover service costs related to traffic convictions.	Legislative	Annual Saving Annual Income	$228,000 $3.4-million
404.	Reduce the frequency of conducting motor vehicle inspections.	Legislative		
405.	Reschedule pay periods in the Department of Transportation in order to simplify overtime calculations.	Executive	Annual Saving	$161,000

Bureau of Motor Vehicles

406.	Transfer the functions performed by the Department of Revenue's Motor Vehicle Sales Tax Division to the Bureau of Motor Vehicles.	Executive	Annual Saving Annual Income	$150,000 $254,000
407.	Establish a cycle basis for renewing passenger vehicle registrations.	Legislative	Annual Saving	$1.1-million
408.	Prohibit the use of dealer plates on repair service or towing and wrecker vehicles.	Legislative	Annual Income	$325,000
409.	Eliminate the free registration windows in the Motor License Division.	Executive	Annual Saving	$30,000
410.	Require express messengers to use a special delivery station and merge legislative and express services.	Executive	Annual Saving	$100,000
411.	Revise processing of learners' permits.	Legislative	Annual Saving	$98,000
412.	Destroy old title documents now in active files at remote location.	Executive	Annual Saving One-Time Cost Avoidance	$ 75,000 $400,000

SECTION VIII

Implementation

The Governor's Review – 1975

IMPLEMENTATION

Preparation of this report required a dedicated effort on the part of everyone involved in the study. However, the comprehensive work represented in the preceding pages will not prove productive unless recommendations are vigorously implemented. Governor Milton J. Shapp has exhibited his enthusiasm for The Governor's Review - 1972 by aggressive follow-up and implementation. Again, he has pledged his continued support for follow-up activities of this review. The strength of this pledge has given study members the encouragement necessary to produce an impressive document in a short time.

The Governor's Review - 1975 has concentrated upon providing workable recommendations for the improvement of Pennsylvania government. With its presentation it now supersedes the work of The Governor's Review - 1972. A significant number of these proposals have already been put into effect or are in various stages of execution. This momentum should not be lost, and continued cooperation of officials in both the Executive Branch and the General Assembly should be encouraged. Agency implementors should concentrate on achieving the intended result of the various recommendations in line with the overall concepts developed by The Governor's Review - 1975. In some instances, revised approaches may be necessary to meet this objective. To assure realization of savings and operational improvements, members of this study will be available to provide additional guidance and support. In support of such a program, the following measures are proposed:

- Initiate implementation by Executive Order. This order should outline the Governor's desire for support in implementing the intent and specifics of the report. Since many recommendations can be effectively carried out by agency officials, their interest and full cooperation should be encouraged.

- Appoint a full-time implementation coordinator. This individual would be responsible for developing and monitoring the implementation program as an extension and continuation of this study and the business community's concern with efficient, effective state government. Responsible directly to the Governor, the position would require 12 to 18 months of active participation. The coordinator should have proven skills in management and communications.

- Review and evaluate all recommendations. The coordinator should discuss proposals with appropriate government officials. Agency heads would be asked to indicate recommendations which have been implemented or are being acted upon. Proposals requiring further study or those which the agency head feels cannot be accomplished should receive particular attention. These interviews will faciliate development of the vital implementation program.

- Establish coordination with legislative leaders. Because this study has probed deeply into many of the most difficult management problems in state government, legislative action will be required to accomplish some of the most important recommendations. A legislative liaison should be designated to aid the implementation coordinator and to assure that prospective bills are prepared and presented in the most effective manner. The liaison would provide a needed link to legislative leaders and committee staff personnel.

- Utilize agency implementors. The organizational concept utilized under the previous report should be continued. Each agency should assign an implementor at the highest level to aid in planning, training, communication, analysis and other activities needed to assure timely implementation of proposals wherever practical and economically feasible. The implementors report to their respective agency heads but accept policy and procedural guidance from the implementation coordinator.

- Develop a formal program. Utilize the Office of Administration to provide staff support. This organization should aid in planning, monitoring, tabulating results, resolving disputes and providing analytical services. Where further study is required, the Office of Administration should conduct the study, coordinate local level management service studies or aid the agencies in securing outside consulting help. Agencies should be aided to modify proposals where planning review or analysis indicates a more appropriate solution. As long as the intent and concept of the proposal is maintained, the specific approach should remain flexible. At such time as the implementation coordinator departs, the Office of Administration should be prepared to carry on the implementation program to a reasonable conclusion.

- Measure progress and review results. The implementation coordinator, using staff services provided by the Office of Administration, should monitor and regularly report on the timeliness and extent of accomplishment for each proposal. A coding system has been devised which permits reporting progress in

a multiplicity of ways for various analytical purposes. Measurement against established objectives permits identification of problem areas. Progress reports should be made to the Governor and other interested persons. The Governor should call on an independent staff such as the Pennsylvania Economy League to monitor the progress of implementation.

Providing services to the people as efficiently, expeditiously and economically as possible has been the primary aim of this study project. Achieving this goal is essential to good government. The Governor's Review - 1975 hopes its report will serve as a model for an ongoing review of business and administrative practices in Pennsylvania state government.

SECTION IX

Sponsoring Organizations

The Governor's Review – 1975

SPONSORING ORGANIZATIONS

Acme Markets, Inc.
Aetna Life & Casualty
*Air Products and Chemicals, Inc.
*Alexander Grant & Company
*Allegheny Ludlum Industries, Inc.
*Aluminum Company of America
American Bank and Trust Co. of Pa.
*American Can Company
American Olean Tile Company
American Sterilizer Company
AMF - York Division
*Arthur Andersen & Co.
*Walter G. Arader & Associates
*ARA Services, Inc.
Armstrong Cork Company
*Atlantic Richfield Company
Atlas Textile Company
*Babcock & Wilcox Co.
Bank of Central Pennsylvania
*The Bell Telephone Company of Pennsylvania
Berwind Corporation
Bethlehem Fabricators, Inc.
*Bethlehem Steel Corporation
Bradford Publications Inc.
J. E. Brenneman Company
Brockway Glass Company, Inc.
Buell Emission Control Division, Envirotech Corporation
Burroughs Corporation
*Butcher & Singer
Carpenter Technology Corporation
*Caterpillar Tractor Co.
Central Penn National Bank
Chilton Company
Cleaver-Brooks, Div. of Aqua-Chem, Inc.
Colonial Beef Company
Columbia Gas of Pennsylvania, Inc.
Comcast Corporation
The Commonwealth National Bank
Commonwealth Telephone Company
Consolidation Coal Company
Container Corporation of America
Continental Bank
*Coopers & Lybrand
Copperweld Corporation
*Corning Glass Works
The Corry Evening Journal, Corry, Pa.
Cyclops Corporation
Daily Express, Inc.
J. P. Devine Manufacturing Company
Dravo Corporation
Duane, Morris & Heckscher
Ellisco Inc.
*Equibank, N. A.
ESB Incorporated
Fayette Bank and Trust Company
Federated Investors Inc.
*FIDELCOR, Inc.
First Eastern Bank, N. A., Wilkes-Barre, Pa.
First National Bank of Slippery Rock
The First National Bank of Youngwood
First National Bank & Trust Co., Washington, Pa.
*First Pennsylvania Bank
Fischer & Porter Co.
FMC Corporation, Chemical Group
Foote Mineral Company
Franklin Mint Corporation
Friendship Federal Savings and Loan Association of Pittsburgh
*Fulton Bank
Gannett Fleming Corddry and Carpenter, Inc.
General Coal Company
*General Electric Company
General Refractories Company
General Telephone Company of Pennsylvania
Gilbert Associates, Inc.
Girard Bank
Green International, Inc.
Gulf Oil Corporation
Hammermill Paper Company
Harbison-Walker Refractories, Division of Dresser Industries, Inc.
Harsco Corporation
*Haskins & Sells
*Hay Associates
H. J. Heinz Company
Hershey Estates
Hershey Foods Corp.
Hirsch, Arkim, Pinehurst Inc.
Honeywell
INA Corporation
International Business Machines Corporation
I.T.E. Imperial Corporation
IU International Corporation
International Telephone and Telegraph Corporation
Janney Montgomery Scott Inc.
Jones & Laughlin Steel Corporation
John B. Kelly, Inc.
Kennametal Inc.
Keystone Foods Corporation
L. Robert Kimball, Consulting Engineers
*Koppers Company, Inc.
Lebanon Chemical Co.
*Lebanon Steel Foundry

Lehigh Structural Steel Co.
The Levinson Steel Company
The Lukens Steel Foundation
Marine National Bank, Erie, Pennsylvania
Oscar Mayer & Co.
McConway & Torley Corporation
*Mellon Bank, N. A.
The Merchants National Bank of Allentown
*Merck Sharp & Dohme, Division of Merck & Co., Inc.
*Merrill Lynch, Pierce, Fenner & Smith Inc.
Metropolitan Edison Company
Mine Safety Appliances Company
Montgomery Ward & Co., Incorporated
Nabisco, Inc.
National Central Bank
National Forge Company
National Steel Corporation
*The New Jersey Zinc Company, A Division of Gulf + Western Industries, Inc.
Northwest Pennsylvania Bank & Trust Co.
Olin Corporation - Consumer Products Division, Fogelsville, Pennsylvania
William M. Orr Company, Inc.
Paper Manufacturers Company
Papercraft Corporation
*Peat, Marwick, Mitchell & Co.
The Penn Mutual Life Insurance Company
Pennsylvania Bank & Trust Company
*Pennsylvania Blue Shield
*Pennsylvania Electric Company
*Pennsylvania National Bank & Trust Co.
*Pennsylvania Power & Light Company
*Pennwalt Corporation
The Peoples National Bank of Lebanon
The Peoples Natural Gas Company
Pepperidge Farm, Incorporated, Downingtown, Pa.
Philadelphia Electric Company
Philadelphia Merchants Association
*The Philadelphia National Bank
*Piper Aircraft Corporation
Pittsburgh-Des Moines Steel Company
*Pittsburgh National Bank
The Polymer Corporation
*PPG Industries, Inc.
*Price Waterhouse & Co.
Provident National Bank
Quaker Chemical Corporation
Quaker State Oil Refining Corporation
Reliance Insurance Companies
Retail Merchants Association of Pittsburgh
Ridgway Publishing Co., Ridgway, Pennsylvania
*Robertshaw Controls Co.
H. H. Robertson Company
*Rohm and Haas Company
Rorer-Amchem, Inc.
St. Joe Minerals Corporation, Zinc Smelting Division
SI Handling Systems, Inc.
*Scott Paper Company
Sears, Roebuck and Co.
Sharon Steel Corp.
Shenango, Inc.
SKF Industries, Inc.
*SmithKline Corporation
*Sperry New Holland, A Division of Sperry Rand Corporation
The Spirit Publishing Company
Spiro & Associates
Stackpole Carbon Company
Stockton Bates & Company
Sun Oil Company
Systems & Computer Technology Corporation (SCT)
*Tasty Baking Company
Teleflex, Inc.
Thiokol Corporation
3M Business Products Sales, Inc.
Topps Chewing Gum, Incorporated
*Towers, Perrin, Forster & Crosby
UGI Corporation
Union Bank and Trust Company of Eastern Pennsylvania
*Union Carbide Corporation
United Engineers & Constructors, Inc.
*United States Steel Corporation
United Steelworkers of America
Warnaco Mens Sportswear Inc.
Warner Company
The Raymond John Wean Foundation
Weis Markets
West Coast Fund
Western Electric Company
*Westinghouse Air Brake Co.
*Westinghouse Electric Corporation
*Roy F. Weston, Inc.
Wheelabrator-Frye Inc.
Wheeling-Pittsburgh Steel Corporation
Whitman's Chocolates Division of Pet Inc.
Woodstream Corporation
Yarway Corporation
The York Bank and Trust Company, York, Pa.
York Machinery & Supply Co.
Arthur Young & Company
Zurn Industries, Inc.

*Contributed personnel

SECTION X

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